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A DoD-WIDE INVENTORY CONTROL POINT MANAGEMENT INFORMATION SYSTEM FOR PERFORMANCE EVALUATION (ICP - MIS)

VOLUME I
ANALYSIS

DEFENSE LOGISTICS AGENCY
DEFENSE LOGISTICS ANALYSIS OFFICE,
Alexandria, VA.

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March 1977

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VOLUME I. ANALYSIS.

DEFENSE LOGISTICS AGENCY
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FOREWORD

31 March 1977

In a memorandum dated 26 February 1975, the Assistant Secretary of Defense (Installations and Logistics) requested the Defense Logistics Analysis Office to develop selected performance indicators that could be used as comparable measures of Inventory Control Point cost and effectiveness. A Study Plan, approved and transmitted by the Deputy Assistant Secretary of Defense (Supply, Maintenance and Services) in April 1975, elaborated on the initial assignment and stated that the workload measures and performance indicators should:

*** Relate workload, operational costs, materiel investment costs, productivity, and performance effectiveness;

*** Provide measures of significant individual functions as well as total operations; and

*** Provide uniform coverage of functions regardless of organizational placement.

To accomplish the stated objectives it was necessary to develop a DoD-wide Inventory Control Point Management Information System for Performance Evaluation (ICP-MIS) within which (1) inventory control functions and tasks are defined and aligned, precisely; (2) workload and resource data for inventory control functions are accounted for uniformly; and (3) workload measures and performance indicators are developed and can be applied consistently. This two volume Report prescribes the rationale, specifications, and methodology for and recommends the establishment of such a System.

Eugene B. Sterling
EUGENE B. STERLING
Major General, USAF
Assistant Director
Plans, Programs and Systems

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CHAPTER I

INTRODUCTION

A. THE STUDY ASSIGNMENT

1. Background

The Department of Defense (DoD) has a series of requirements to accumulate and report data about the workload and performance of functions by Inventory Control Points (ICPs). Some of the requirements from the Office of the Secretary of Defense (OSD) are: the Planning, Programming, and Budgeting System (PPBS); the Stock Fund Budget; the Logistics Performance Measurement and Evaluation System (LPMES); the Military Supply and Transportation Evaluation Procedures (MILSTEP); the Standardization Accomplishment Report; the Productivity Measurement System; the Procurement Management Reporting System; and Cost Accounting for Central Supply Management, Industrial Preparedness and Terminal Operations (DoDI 7220.17). Such OSD requirements are further expanded and supplemented by extensive management information requirements and reporting systems of the several DoD Components and their logistics headquarters. In addition, each ICP activity has its own management information requirements.

Recognizing the existence of these varied requirements, the Deputy Assistant Secretary of Defense (Supply, Maintenance and Services) (DASD(S,M&S)) requested the Defense Logistics Analysis Office (DLAO), formerly the Analysis Division, Defense Logistics Agency (DLA), to conduct a special study of management information for major ICPs. The Study Report titled a "Compendium of Inventory Control Point Management Information" was published in November 1974. The study was restricted to data generally available from all Components and their existing data systems. The study report pointed up cautions in the use of the data for DoD-wide comparisons due to differences in mission, organization, functions performed, complexity of items managed, and variances in definition and interpretation of data elements. With an awareness of the data deficiencies, meaningful and useful management analyses were accomplished; however, OSD and Component logistics managers need a more directly applicable set of performance indicators. As a result, additional study and evaluation were considered necessary.

2. Objectives

By memorandum dated 26 February 1975, the Assistant Secretary of Defense (Installations and Logistics) (ASD(I&L)) requested the DLAO to develop selected performance indicators that can be used

periodically as comparable measures of ICP cost and effectiveness. A Study Plan was transmitted by DASD(S,M&S) memorandum dated 21 April 1975 (Appendix A). The stated purpose of the Study is to "develop selected performance indicators which are comparable measures of wholesale ICP characteristics, costs, and performance to be used by top management in furtherance of increased efficiency, economy of operations, and improved support effectiveness."

The performance indicators should:

a. "Relate workload, operational costs, materiel investment costs, productivity, and performance effectiveness."

b. "Provide measures of significant individual functions as well as total operations."

c. "Provide uniform coverage of functions regardless of organizational placement."

3. Scope

The functions and activities covered in the Study are broader in scope than usually associated with ICP functions and activities. The broader examination of activities results in part from the fact that in some cases ICP functions are performed by activities not normally considered ICPs.

a. The Study includes:

All functions performed in conjunction with materiel acquisition and control, for example, materiel management, cataloging, provisioning, technical, stock control, procurement, data processing, as well as the command, administrative and support functions.

All activities performing wholesale ICP functions.

b. The Study specifically excludes the functions of Research and Development (R&D), Maintenance Operations, and Storage and Distribution Operations. The dividing line between the R&D phase and the production and deployment phase is the conclusion of the decision process of the Defense System Acquisition Review Council (DSARC) III. The production and deployment decision marks the transition to the inventory control phase.

c. In addition to the exclusions stated in the Study Plan, the Study Team concluded that the following should be excluded:

** Logistics Headquarters--except when actually performing functions specifically included in the definition of wholesale Inventory Control functions in this Study.

** Forms and Publications managed as items of supply.

** Manufacturing--both government and contractor owned or operated plants.

** Property Disposal Activities.

B. TERMINOLOGY

Several key terms used in the Report are used currently throughout the DoD with varying meanings. The terms "retail" and "wholesale" are used outside of this Report with two distinct meanings. The terms Inventory Control Point, Primary Inventory Control Activity and Secondary Inventory Control Activity are not uniformly defined and used. Therefore, these and several other key terms are defined and discussed as they are used within this Report.

1. Levels/Echelons. The term "wholesale" is defined and used in various DoD publications to indicate a level or echelon of supply in the total distribution system. The term is also used as a synonym for integrated management and the responsibilities associated with such assignments. Similarly, the term "retail" is used to indicate a level of supply and also to indicate the residual Service responsibilities for items under integrated management. Whenever the terms "wholesale" and "retail" are used throughout this Report, the following definitions will apply:

Wholesale - the upper level of the supply system responsible for performing DoD integrated or Component-wide materiel management functions and providing support to the Retail and/or User levels.

Retail - the level(s) of the supply system below the wholesale level, but above the User level, responsible for performing materiel management functions and providing support to the User level.

Most of the functions performed are common to both the Wholesale and Retail levels. An activity or organization can have, simultaneously, Wholesale and/or Retail and/or User responsibilities.

2. Inventory Control Activities

Definition of the term ICP in various DoD publications is generally consistent, but its use is not. Many activities which have as part of their mission the defined responsibilities of an ICP are not designated or thought of as ICPs. The JCS Pub 1 definition of an ICP does not limit its use to activities, but includes organizational units which are parts of larger organizational entities. With the advent of integrated management, a division of responsibilities has developed. The divisions are referred to as primary and secondary. In the 1972 publication of DoD 4140.26M, Defense Integrated Materiel Management Manual for Consumable Items, Volume I, primary and secondary are equated to wholesale and retail respectively. The April 1975 republication of DoD 4140.26M, Volume I, has dropped the statement that primary and secondary are synonymous with wholesale and retail. Volume II of DoD 4140.26M uses the term Service Inventory Control Center rather than Secondary Inventory Control Activity. Further classification and delineation are needed.

As used in this Report, primary and secondary refer to the division of responsibilities between activities and the interrelationship of their responsibilities rather than to a level or echelon. Both primary and secondary responsibilities are parts of the total wholesale level materiel management mission. The term Inventory Control Point (ICP) as currently defined in DoD Directive 4140.1, "Inventory Management Policies," and JCS Pub 1 is limited to activities with "primary responsibility" and procurement is limited to "procurement direction." Neither of these limitations appears in the definition of Inventory Control in JCS Pub 1. For the purpose of this Study, "ICP is a generic term applied to any activity assigned primary or secondary inventory control responsibilities including procurement operations. Inventory Control functions and the types of ICP activities and related responsibilities are described in the following terms:

Inventory Control - "That phase of military logistics which includes managing, cataloging, requirements determination, procurement, distribution, overhaul, and disposal of materiel. Synonymous with materiel control, materiel management, inventory management, and supply management." (JCS Pub 1)

NOTE: In consonance with the scope of this Study, distribution, overhaul and disposal are limited to distribution direction, overhaul direction, and disposal direction.

Primary Inventory Control Activity (PICA) - The principal activity to which responsibility is assigned for the wholesale inventory control of a group of items either as the integrated

manager for the Department of Defense, or as the Component manager for items not under integrated management, or as the multi-Component manager under a Wholesale Interservice Supply Support Agreement (WISSA). Primary inventory control includes managing, cataloging, requirements determination (both peacetime and system General Mobilization Reserve Requirements), procurement (includes operations), distribution direction, overhaul direction, disposal direction of materiel, and budgeting and funding for procurement and overhaul.

Secondary Inventory Control Activity (SICA) - The principal activity, includes Service Item Control Centers (SICCs), of a Using Component to which responsibility is assigned for the residual wholesale inventory control of a group of items assigned to the same or another activity as the DoD primary manager. Secondary inventory control includes Component General Mobilization Reserve Requirements determination, Prepositioned War Reserve Management, provisioning, preparation and submission of Supply Support Requests or internal equivalents, Special Program Requirement determination, and collaboration on cataloging, standardization, and technical actions.

NOTE: Whenever the same activity performs both PICA and SICA functions for the same items, the two sets of responsibilities are considered separate functions.

Inventory Control Agent (ICA) - An activity other than the principal activity which assists in the performance of, or performs one or more functions for the PICA or SICA. (Agents frequently assist or perform functions for several principal activities. Agents also may perform Component-wide or DoD-wide functions.)

3. Assignments. A given activity may perform as a PICA, SICA, and ICA. A PICA may be supported by many ICAs. An ICA may provide support to many PICAs or SICAs. Therefore, in order to provide a comparable base for evaluating performance, the Study Team determined that it was necessary to establish a key term used in this Report, Management Assignment. A management assignment is either primary or secondary. Other assignments are not directly related to a PICA or SICA management assignment and are made on a Component-wide or DoD-wide basis, e.g., Component-wide cataloging and DoD-wide standardization assignments.

Management Assignment - The group of items for which a principal activity (PICA or SICA) is assigned responsibility for wholesale inventory control to be accomplished by the principal

and its agents. The group of items may be identified by National Stock Numbers (NSNs) or locally assigned stock numbers. The management assignees in terms of principal activities for each NSN are indicated by the Activity Codes in the Defense Logistics Services Center (DLSC) Integrated Data System (DIDS). The management assignment in terms of primary or secondary for each principal activity is indicated by the Level of Authority Code in DIDS.

4. Types of Items

Materiel consists of all tangible items (including ships, tanks, self-propelled weapons, aircraft, etc., and related spares, repair parts and support equipment; but, excluding real property, installations, and utilities) necessary to equip, operate, maintain, and support military activities without distinction as to its application for administrative or combat purposes (DoDD 4151.1).

All Components use terms to group materiel into basic types of items for management purposes. DoD policies governing the management of items vary by type of item. The following three types of items as defined in DoD 4140.26M, Volume I, will be used in this Study:

Major End Items of Equipment and Explosive Ordnance - "Items of such importance to the operating readiness of operating units that they are subject to continuing centralized individual item management and asset control throughout all Command and support echelons."

Reparables - "Centrally managed recoverable items designated as reparable for the reasons that repair or unserviceable quantities of the items is considered by the inventory manager in satisfying requirements prior to, or in conjunction with determining procurement quantities."

Consumables - "All items of supply except explosive ordnance, major end items of equipment and reparables."

NOTE: The fact that an item has not been assigned an NSN will not in and of itself exclude it.

C. THE STUDY TEAM

The Study Team was composed of three full-time members of the Defense Logistics Analysis Office, including the Team Director, and five full-time members from the Components--Army (1), Navy (1), Air Force (2), and DLA (1). The five full-time members from the Components were with the Study Team from June 1975 to June 1976. The two DLAO military members of the Team transferred during the analysis and report writing phases.

D. STUDY APPROACH

The Study Team approach was to become familiar with and evaluate the existing performance indicators, obtain a detailed understanding of the similarities and differences among the various activities involved in the performance of inventory control and central procurement functions, and determine the needs of management for performance indicators.

a. Briefings were obtained from the logistics headquarters of each of the four Military Services, the Defense Nuclear Agency (DNA), and the DLA, about their logistics organizations, missions, procurement and operating budget formulation, and current and planned management information systems. The headquarters briefings stressed the performance indicators of special interest at that organizational level.

b. Discussions were held with key staff members in the Offices of the Assistant Secretaries of Defense (OASD), Comptroller; Program Analysis and Evaluation; and Installations and Logistics concerning their responsibilities and management information needs relative to wholesale inventory control.

c. Extensive field research was conducted at 25 separate activities of the four Military Services and the two Agencies. The activities visited are listed in Appendix B. The field research included presentation and discussion of the performance indicators used by the Activity Commander and by directors of major functional organizational elements. The mission and organization of each activity were examined. Each inventory control function was investigated in detail as to the tasks performed, output produced, and factors affecting the difficulty of the task.

E. REPORT FORMAT

The remainder of this Report is arranged as follows:

Chapter II. Discusses the information needs of the various echelons of management (Activity, Component, and OSD) that fall within the scope of this Study and sets forth objectives in satisfying these needs. Current management information is analyzed to determine what other information is needed and what information is unused or unneeded.

Chapter III. Identifies approximately 285 activities performing wholesale inventory control functions. The logistics organization and command lines of each Component are presented together with a discussion of the variations in mission and organization of the several activities. Chapter III and its associated Appendix C provide

a picture of the extent and relationship of Primary Inventory Control Activities (PICAs), Secondary Inventory Control Activities (SICAs), and Inventory Control Agents (ICAs) throughout the Department of Defense.

Chapter IV. Provides a detailed analysis of each inventory control function or borderline function including support functions. The analyses lead to delineation of functions by detailed task lists and to conclusions as to whether the function: (1) should be included or excluded, (2) should remain separate or be combined, (3) is a PICA, SICA, Component-wide, or DoD-wide inventory control function, and (4) is performed by all PICAs or only some PICAs.

Chapter V. Specifies for each included function workload measure(s) and effectiveness and efficiency indicators. Chapter V and its associated Appendix D set forth the data elements, weighting factors, and formulae for the various measures and indicators.

Chapter VI. Describes a DoD-wide ICP Management Information System, including an account structure; specifications for data recording and reporting, system audit and maintenance, and management report preparation; and several examples of management reports.

Chapter VII. Summarizes the findings and analyses of the preceding Chapter and sets forth the recommendations of the Report.

The Appendices of the Report are published in a separate volume (Volume II), because an understanding of Chapters III, IV, V, and VI can be more fully achieved by simultaneously observing Appendix C with Chapter III, Appendices D and E with Chapter V, and Appendix E with paragraph B of Chapter VI.

NOTE: DoD Directive 5010.24, "Logistics Performance Measurement and Evaluation System," dated May 29, 1969 and DoD Instruction 5010.25, "Logistics Performance Measurement and Evaluation System Procedures and Reporting Instruction," dated September 13, 1971, and their associated products are referenced throughout this Report. An Assistant Secretary of Defense Memorandum, subject: Logistics Performance Measurement and Evaluation System, dated 8 December 1976 and DoD Directives System Transmittal Number 76-9, dated 13 December 1976, resulted in the cancellation of DoD Directive 5010.24 and DoD Instruction 5010.25. References to the Logistics Performance Measurement and Evaluation System (LPMES) have not been removed from the Report because of their direct application to the subject matter being reviewed and analyzed. The new LPMES Directive and Management Information System proposed in this Report are designed to correct the conditions leading to cancellation listed in the ASD(I&L) Memorandum of 8 December 1976.

CHAPTER II

PERFORMANCE REPORTING NEEDS AND OBJECTIVES

A. INTRODUCTION

Prerequisites to the development of useful Inventory Control Point (ICP) performance indicators are the identification of management's needs for information, objectives to be attained in providing for information requirements, and the assessment of currently prescribed requirements for information against the identified needs and objectives.

The purposes of this Chapter are threefold: first, to examine and establish the needs of management at the Activity, Component, and Office of the Secretary of Defense (OSD) levels for performance indicators; second, to set forth objectives to be pursued and criteria to be used in the development of a management information system; and third, a review of cost and performance indicators currently used and existing requirements for management information. The assessment of current management information has as its purpose the identification of those management needs which are adequately satisfied and those areas where revisions or new data are required.

B. THE INFORMATION NEEDS OF MANAGEMENT

Management is a process of establishing and attaining objectives to carry out responsibilities. Establishing and attaining objectives requires the continuous actions of planning, organizing, directing, coordinating, controlling, and evaluating the use of men, money, machines, materials, and facilities to accomplish missions and tasks. A central need of each of these actions is information. Because of this critical need, considerable effort is usually expended in identifying the specific information needed by management, and devising systems for its collection, transmission and display. Information needs of management vary with the level of management. Some of the specific information needs of management within the Department of Defense (DoD) are discussed in subsequent paragraphs.

1. Programming and Budgeting

a. Programming

Programming is the quantification of missions. A program is a plan or scheme of action designed for the accomplishment of a

definite objective or mission. A program is specific as to the time-phasing of work to be done and the means proposed for its accomplishment, particularly in quantitative terms. Thus, a program provides a basis for budgeting.

The primary program used as a basis for DoD budgeting is the Five Year Defense Program (FYDP). The FYDP is comprised of ten programs which together represent the mission and support responsibilities of the DoD. Each program is subdivided into program elements whose mission characteristics are closely related. Information collection systems must be geared to identifying the information by program element. The functions covered in this report relate primarily to Program 7, Central Supply and Maintenance, and within Program 7, relate to Program Elements 711120, Inventory Control Point Operations, and 711130, Procurement Operations. The same functions, however, are performed by some Activities under Programs 3, 4 and 6 as well as under other Program Elements within Program 7.

Management information is essential to programming because it reflects accomplishment against the program and can indicate the need for corrective action. Actual quantified experience may be applied in future planning. Accumulation of management information by program element and time period must be consistent between Components to facilitate comparative analyses.

Programming is practiced at several DoD management levels, both as input to the FYDP at the OSD level, and to develop more detailed programs for use by other management levels. A management need at each echelon is the capability to translate program changes into workload changes and to determine resource impact. Management information systems should be geared to provide only the information needed by management at each level.

b. Budgeting

A budget is a planned program for a fiscal period in terms of (a) resources (money, personnel) required and allocated for accomplishment of approved programs; (b) sources of resources to be applied, including reimbursements anticipated; and (c) explanatory and workload data on the projected programs and activities.

The budget responsibilities of the DoD are carried out in nine types of budgets (Operations and Maintenance (O&M); military personnel; procurement; revolving funds--stock funds and industrial funds; Research, Development, Test and Evaluation (RDT&E); military construction; family housing; civil defense; and foreign assistance).

This Study is primarily concerned with the O&M budget, although some discussions may relate to the procurement, stock fund, and RDT&E budgets.

(1) Operations and Maintenance Budget

The O&M budget is comprised of management information arranged by organization, program element, function and expense element. Organizational subdivisions usually represent the first level below each reviewing and approving manager. Program element information must be displayed in the budget to relate resources to an approved program. Functions are groups of closely related tasks or subdivisions of program elements. Management information for functions is usually collected through a cost accounting system. The current cost account structure for the functions included in this Study is outlined in Department of Defense Instruction (DoDI) 7220.17, Cost Accounting For Central Supply Management, Industrial Preparedness And Terminal Operations. Cost accounts may also be established to collect the costs of special projects, organizations, or activities. Another division of management information in the budget is by expense element (formerly object classification), which is a method of classifying expenditure by subject according to the types of services, articles, or other items involved; e.g., personal services, supplies and materials, equipment, rentals, and contractual services.

Workload data in the budget indicate the expected volume of output to be produced or services to be performed for the resources provided by the budget. DoD prescribes certain minimum workload data to be included in the budget. These workload data are not uniform among the several Components. DoD budgets are performance type budgets, i.e., based upon programs, functions, and projects which would focus attention upon the general character and relative importance of the work to be done or upon the services to be rendered, rather than upon the things to be acquired such as personal services, supplies and equipment.

Optimal distribution of resources is a primary concern at all levels of management. The keystone in this process is the availability of uniform and comparable measures for workload and resource requirements for all Activities performing ICP functions. A reliable method of measuring ICP workload and resource requirements would provide the means to make budget decisions.

There has been a significant increase in the level of international logistics support. At one ICP visited, the value of international logistics support was equal to the value of the materiel issued to United States Forces. This high level of support

and attendent resource consumption further accentuate the need for valid cost data as a basis of determining the adequacy of reimbursement.

Effective budget execution requires the collection of management information in at least the detail included in the budget, the comparison of the budget, and the actual expenditures and accomplishments, and if required, changing the budget, budget execution, or both. Both timeliness and accuracy of management information are critical in the budget execution process. A mid-year review cannot be completed until actual information on the first half of the year is available. By the time the information is available and analyzed, and required changes determined and implemented, a significant portion of the second half of the year has expired. This situation reduces the potential for optimal changes and increases the severity of the changes required.

(2) Procurement Budget

For the purposes of this discussion, procurement budgets include the several procurement appropriations budgets and the stock fund budgets. Generally, procurement appropriations are obtained to acquire nonexpendable investment materiel or equipment; a stock fund is a revolving fund used to finance inventories of consumable materiel or supplies. A stock fund budget is, in effect, a procurement budget. Procurement appropriations fund allocations must be authorized by the United States Congress; stock fund procurement allocations are approved by the Office of Management and Budget (OMB) if no additional cash authorization (increase in investment) is required.

Generally, procurement budget information requirements consist of funds required, fund sources (new obligation authority, reimbursement, sales), and application of those funds to specific items or categories of equipment to be purchased, stock replenishment, or initial spares. The many exhibits required by the DoD Budget Guidance Manual (DoD 7110-1-M) to be submitted with procurement budgets provide budget reviewing authorities with the information to analyze and further justify budget requirements. Budget execution reviews generally require comparison of expenditures (purchases) with fund allocations, reimbursements, and sales.

While there is no current requirement for inclusion of performance data in procurement budget submissions, most budget authorities responsible for procurement budget preparation and review who were contacted during this Study stated that consideration is given to performance data during the budget process. While consideration of performance data may influence budget evaluation, there is

little formal effort to integrate and relate performance data and the budget, or to integrate procurement and operations budget considerations; however, there have been notable, though generally individual, exceptions. For example, an analysis of lengthening production lead-times and the effect on inventory investment led to the determination that they had peaked and would probably retreat due to the current economic situation, therefore, a proportionate cutback in inventory investment could be accomplished without a deterioration in supply effectiveness.

Decisions in one type of budget frequently impact on other types of budgets. For example, a decision was made during a period of stock fund cash shortages to bypass economic order quantity principles and make smaller but more frequent buys to preserve cash availability and spread the available cash over more items; however, the impact of this decision on workloads and manpower requirements funded by O&M funds was not determined and provided for. Conversely, procurement budget cutbacks are very rarely translated into O&M budget workload and resource impacts.

2. Policy Evaluation

Policy is a course of action prescribed by managers at all levels to accomplish desirable ends or objectives. Policy should be based upon principle but must provide for practical considerations having a bearing on timely, effective action. To make or revise policy, managers need information. What is not being done that should be? What is not being done as timely or as well as it should be? What is being done that shouldn't be?

Once a policy has been stated and implemented, information should be provided to managers and their staffs to evaluate policy implementation, achievement of objectives, conflicts with other policies, and economy of operation. Policies are transitory. They should be reviewed continuously and revised as required. Information required to evaluate policy should be incorporated in the management information collection system. For example, the policy governing procurement cycles and safety levels of supply for secondary items has as its objective the minimization of the total order and holding cost subject to a constraint on time-weighted, essentiality-weighted requisitions short. The implementation and evaluation of this policy require information concerning ordering cost, inventory investment, and supply effectiveness.

The Secretary of Defense Management by Objectives program includes several objectives related to the operations of ICPs. Management information is needed both for the establishment of significant valid objectives and for the evaluation of progress against those objectives.

3. Performance Evaluation

Performance is the act or process of doing something. Performance evaluation compares current performance with (1) past performance by the same performer(s), (2) comparable performance by other performers, and/or (3) goals or standards, to determine whether and what action should be taken by the manager to assure that assigned missions are performed efficiently, effectively, and economically.

Performance evaluation requires management information which indicates what was done, how much was done, the timeliness and accuracy of what was done, the resources expended, used, or consumed, and what should have been done (how much, timeliness, accuracy, and resources expended). Performance evaluation not only compares what is being done with what should have been done but it evaluates whether performance goals and standards are realistic.

Evaluating performance by comparing it with prior performance or with the comparable performance of others provides indications of relative but not necessarily good or bad performance. The conclusion of a performance evaluation should be that corrective action is not required or that corrective action is needed and its extent, e.g., revision of policies or procedures, provision of more or less resources, or adjustment of standards or goals.

a. Productivity

Productivity is the ratio of output (how much was done) to input (resources expended). Output is generally stated in terms of workload indicators or output measures, e.g., the number of requisitions processed is a workload indicator or output measure for the function of requisition processing. Inputs are generally stated in terms of money and personnel or their equivalent. Productivity information by itself may not be meaningful because it does not indicate how productivity compares with goals and standards or how it compares with previous productivity or that of others. A productivity index is necessary to provide a basis for evaluation.

A productivity index is the ratio of current productivity to productivity during a previous period, to the productivity of other performers, or to a productivity goal or standard (what should have been done).

b. Efficiency

Efficiency evaluation is the comparison of standard productivity with actual productivity. An efficiency index is the ratio

of standard productivity to actual productivity, usually stated as a percentage. Some computations of the efficiency index are based on the inverse of productivity; that is, the ratio of input to output (e.g., cost per requisition processed; man-hours per requisition processed).

Ideally, productivity standards should be based upon optimum conditions (e.g., the best available procedures, methods, equipment, layouts, work flow, organization structure, and distribution of personnel skills), and should be revised as these conditions change. However, standards based on less than optimum conditions are useful to management in making efficiency evaluations.

c. Effectiveness

Effectiveness evaluation is the comparison of the timeliness, quality, or results of what was done with the accomplishments of the same performer during prior periods with other performers, or with goals and standards. Computation of the effectiveness index varies with the type of effectiveness measure.

An effectiveness index for timeliness is usually the average elapsed time (clock or calendar) from the time that the work was first available to the performer until the work was completed (e.g., procurement administrative leadtime; mean days to release a backorder; requisition processing time). This type of index may also be stated in terms of volume or percent of workload by age category.

A quality effectiveness index is usually the ratio or percentage of either the acceptable quality output to the total output (e.g., percent stock availability) where a higher index number indicates improvement, or the unacceptable quality output to total output (e.g., percent of catalog transactions rejected) where a lower index number indicates improvement.

A results effectiveness index is usually stated in terms of: (a) the ratio or percentage of one output to another (e.g., of item identification which were descriptive method to total item identifications; ratio of contracts retained for administration to total contracts awarded), (b) the ratio or percentage of an output which does not represent the volume of work to an input measure (e.g., dollars saved per dollar cost to perform the function), or (c) volume (e.g., number of items reduced; number of specifications cancelled).

d. Interrelationship

Effective management requires productivity, efficiency, and effectiveness measures. A key objective of management is to

achieve the proper balance among them. Overemphasis on productivity may adversely affect quality. Overemphasis on efficiency may adversely affect effective accomplishment of mission. Overemphasis on effectiveness may result in misuse of resources.

By comparing performance of Activities doing the same job within and across Components, management at each echelon can detect the potential for improvement. Activities with unacceptable performance should be quickly highlighted. The impetus would be strong to "borrow experience" from ICPs with significantly higher performance. Progressive management can be inhibited without knowledge of how others perform and without outside attention; therefore, there is a need for a system which highlights performance effectiveness for managers at all levels and which can catalyze improvement.

4. Trade-Off Decisions. If managers received all the resources they thought they needed to accomplish missions, resource trade-off decisions would not be required. However, since this is very rarely the case, the manager must use his skills and the best information available to achieve the optimal balance of overall performance. This balance results from his continuous evaluation of performance and his making of trade-off decisions. The need for information in this area of management is critical. Too often managers are required to make decisions without sufficient information. The manager needs to know what viable alternatives are available and the expected specific impact of each. For example, which course of action would result in the greater increase in supply effectiveness: investment in inventory or an equal investment in personnel for more intensive management? All managers make trade-off decisions to some extent; the effect of their decisions increases as the management level increases.

C. PRINCIPLES AND OBJECTIVES FOR PERFORMANCE REPORTING SYSTEM

The purpose of this paragraph is to identify some principles and objectives to be followed in developing a management information system. The principles and objectives discussed are divided into two groups: those which are general, applying to any collection and use of management information; and those which apply more specifically to the types of management information within the scope of this Study.

1. General Principles

a. Common Data Base. To be comparable, credible and useful, identical specified sets of data elements must be collected for the same specified time frames at the same designated levels throughout the wholesale system. Without such discipline, independently

determined Component and Activity specification of data elements, points of count and time frames will differ from each other and result in noncomparability.

(1) Elements

The elements of information needed may differ for each management use and for each management level, for example: information needed for OSD level budgeting is less detailed than the information needed for primary field activity level budgeting. More detailed information is usually needed for performance evaluation than for budgeting. While the amount of detail needed for each use and at each management level are not the same, they should have the same base point.

Information elements needed for the most detailed use should be identified as the base points. The collection and reporting of information should be based on this set of base point elements. All other information should be summations from the base point elements.

(2) Point of Count. Each base point element of information should have a precise definition and a specific point in the process at which it is counted. This same point of count for management information should be used by all management levels. Points of count should be selected so that there is a proper association of related data elements. Ideally, points of count for resources expended and workload accomplished should be established so that resources are reported with the workload they accomplished.

(3) Time Frames. A time frame is a period of elapsed time (clock/calendar) selected for reporting of management information. Time frames are usually not the same for each management level or for each use of the information. For example, the first level supervisor may require a daily time frame for performance evaluation. Budgeting information is usually needed for a semi-annual or annual time frame. The time frame which will provide information to the manager needing it most frequently should be selected as the base point time frame. Information needed less frequently should be summarized from the information collected and reported for the base point time frame.

b. Reliability

Managers specify the information they need. Collecting and reporting instructions usually include a definition and point of

count for each element reported; however, instructions are subject to different interpretations. Consequently the manager may not get comparable information. The same instructions also can be re-interpreted from time to time at the same Activity resulting in information inconsistent with previous periods.

A quality assurance program is necessary to assure that the information being collected and reported is reliable. Such a program should be conducted by an independent person or group (e.g., auditor, Inspector General, or staff). A successful program requires a point of count verification for each element of information (i.e., audit of source records or other information to verify that the reported count is correct in accordance with directives). Selection of the elements of information to be reported should consider their auditability.

Audit of reported information to assure its reliability and consistency can usually be done by sampling. The presence of an active quality assurance program is an incentive to assure that information is collected and reported correctly. The program also helps to maintain the manager's faith in the reliability and consistency of the information.

c. Validity. Assuring that data are reliable is not enough to assure a useful management information system. It is essential that the data are valid, that is, that data are appropriate and sound for measuring and predicting performance. Validity determination is a continuing process which must take into account changing policies, operating conditions and other factors. Validity also requires analysis of information reported to determine the need for new and improved measures or changes in weighting of measured factors.

d. Management by Exception

Managers need access to a large amount of information to meet their responsibilities; however, managers cannot look at, review, or sift through volumes of information to select the proportionally small amount that requires their attention. Areas of unsatisfactory performance shift from Activity to Activity and from function to function. Too much information or extensive summarization can make problem areas or exemplary performance difficult to detect.

To limit information that must be reviewed but to ensure that information will reveal significant variations in performance, managers can establish performance guidelines. For example, a manager may establish a guideline that he wants to look at performance

information only when it deviates more than 10% from a norm. Or, he may establish a budgeting guideline that he wants to see only those requests for budget increases or new programs. Guidelines should be broad enough that only exceptions are reviewed. However, all management requirements cannot be satisfied by exception reporting.

e. System Flexibility. The operation of the wholesale logistics system is dynamic. Personnel strength, the number of operating Activities, mission assignments, and technology change. Over time, management's attention and interest will shift as new problems or programs arise or philosophies change. Therefore, a reporting system designed to measure inventory control operations must be flexible and easily modifiable to accommodate this changing environment.

2. Specific Objectives

a. Provide for Collection of Information on a Comparable Basis

(1) Functional Rather Than Organizational. One of the findings in the Compendium of Inventory Control Point Management Information was that there are wide variations in the structure and the assignment of functions to organizations among Components. Research during this Study confirmed that finding and revealed further differences in organization structure and functional assignments between Activities of the same Component. Consequently information collected in total for individual Activities or organization elements cannot be compared meaningfully. It was determined, therefore, that management information must be collected by inventory control function to be comparable, regardless of the organizational structures established for performing the functions.

(2) Mission Differences. The Compendium of Inventory Control Point Management Information confirmed allegations about differences in mission due to different types of items managed (e.g., end items, depot level reparables, consumables). Also, research revealed that there were significant differences in the complexity of management within the types of items related to factors such as frequency of demand, stocked versus nonstocked, and availability of the item through procurement. Research during the present Study reconfirmed these earlier findings. It also revealed additional reasons for differences in mission assignment or "work mix" (discussed in more detail in Chapters IV and V). The need for methodology to identify, quantify, and equalize these differences in mission assignment or work mix to achieve comparability was recognized but research indicated that relatively little has been accomplished to develop a

methodology to equalize these differences. Without such methodology and its application, meaningful comparability may not be possible.

b. Achieve Comparability Between Budgeting and Cost Accounting. One of the proposed major uses of the management information to be collected as a result of this Study is for budgeting. As presently collected and reported, costs of performing all wholesale inventory control and procurement functions do not total to the program and budget elements for ICP operations (PE 711120) and procurement operations (PE 711130). Workload measures reflected in the budget and cost accounting systems are not the same. Changes in the methods of identifying and collecting these costs must be made if comparability between budgeting and cost accounting is to be achieved. One way to assure appropriate attention to management information is to use it to acquire and allocate resources to perform assigned missions and accomplish assigned objectives. Managers will give top priority attention to information which they know will be used to determine their resource levels.

c. Provide Measures of Significant Individual Functions as Well as Total Operations. Information should be available to the higher management levels for areas of current or potential interest and for the total wholesale inventory control and procurement operations. Areas of management interest vary with conditions and it is not possible to predict specific areas of interest and establish information requirements only for them. Consequently, information should be structured by the areas where interest will probably develop. In the past, there has been high level management interest in information about cataloging, standardization, requisition processing, and procurement. These subjects generally conform to what have been defined herein as functions, which are subdivisions of program elements. Functions are also more or less arbitrary groupings of closely related tasks to provide information about "significant" areas.

d. Provide For Comparison of Activities to Determine Potential Improvement Areas

As stated in Chapter I, this Study is to develop selected performance indicators which are comparable measures of wholesale ICPs. The purpose of comparing is to determine the relative performance of wholesale ICPs in several functional areas in order to facilitate improvement. The need for improvement may be in areas of policy and systems as well as Activity performance.

In any comparison of performance between Activities, it would be rare for the performance of all to be exactly equal; one will

be highest, one lowest, and the others will fall between these two extremes. Their performances may be close enough that improvement action would not be appropriate; e.g., when the performance of all falls within the range of expected variation and their relative standings are due to statistical chance rather than to their efforts. If performance of one is significantly better than the others, the reasons should be determined and the others advised so that they may benefit thereby. If the performance of one is significantly below the others, the reasons should be determined and corrective action initiated.

In comparing Activities, performance levels should be considered as relatively good or poor, rather than as absolutely good or poor. For example, the performance of an Activity may be good when compared with other Activities, but poor when compared with what it should be.

e. Provide Comprehensive Rather Than Piecemeal Information

Substantial amounts of management information exist today. Much of that information is developed for a single limited purpose, e.g., operational budgets, procurement budgets, productivity, or performance effectiveness. Information is frequently developed for a single function without consideration of the interfunctional relationshops such as between item management and procurement. Also, data may not be included from all Activities involved to some degree with the same items.

A specific objective of this Study is to develop performance indicators which relate workload, operational cost, materiel investment, productivity, and performance effectiveness. This objective necessitates an approach which is comprehensive as to functions covered, Activities included and kinds of information reported. A further objective is to provide a balance among productivity, efficiency, and effectiveness measures.

f. Provide For Two-Way Movement of Management Information

Management information often is thought of as moving in one direction--from the bottom up. However, there is a need, equally as great, for information to flow from the top down. Typically, management information flowing in both directions will have the same basis, but may be arrayed in vastly different configurations.

Management information flowing from the bottom up is usually basic elements of information that represent accomplishments, performance, and reasons for significant deviations in performance.

This basic information needed for upper management usually requires varied configurations. Consequently, the basic information is then rearranged into other meaningful relationships.

Management information flowing from the top down is usually an expression of upper management reaction to information provided. It is also helpful to lower level managers to have management information about other Activities at their level. Such information permits lower level managers to compare and evaluate their performance with others as well as against their own past performance and goals and standards. Comparison with others at the same level can have a therapeutic effect on poor performance; no one likes to have the "worst" performance. Even when there is no conscious upper management effort to compare performance, a manager will compare his performance with others and act to improve it.

D. ASSESSMENT OF CURRENT INFORMATION SYSTEMS

There are several management information systems prescribed by OSD which relate to the functional areas within the scope of this Study. This paragraph addresses the pertinent formal reporting systems in existence and examines their capability to meet the management needs described above in Paragraph B.

1. Programming

The FYDP program structure is codified in the DoD Handbook 7045.7-H. The DoD program elements structure does not lend itself to either comprehensive budget development or resource utilization reporting for wholesale inventory control. The definition and placement of functional areas within this structure are not necessarily aligned for ease in accumulating inventory control costs either by Activity or by function.

There are numerous areas of costs associated with the operation of Activities performing ICP functions that are budgeted and reported under program elements other than 711120, Inventory Control Point Operations, or 711130, Procurement Operations. For example:

Activity	Program	Element
Army Security Agency	3	310550
Army Communications Security Logistics Agency	3	334010
Defense Nuclear Agency and Field Command	3	35115H
Military Sealift Command Headquarters	4	42167N
Navy Supply Centers and Depots	7	711110
DLA Centers (Command and Support)	7	728960
DARCOM and Army Commodity Command Headquarters	7	728980
Naval Systems Commands (Command)	7	728980
AFLC and Air Logistics Centers Headquarters	7	728980

These examples show that the FYDP program element structure does not lend itself to accumulation of functional costs or the total costs of operations of the DoD wholesale ICPs.

2. Budgeting. The DoD budgeting process is closely interrelated with the FYDP. The cost account structure supporting the accumulation of output and cost data for certain program elements is specified in DoDI 7220.17 and is discussed below. The DoD budget guidance prescribes certain minimum workload data to be included as part of the budget submission. In practice, however, the Components propose and OSD approves what workload data will be in the budget submission. This results in widely varying workload data being included in the budget. The resultant lack of uniformity and comparability among Components usually renders the workload data unsuitable to determine equitable resources to support similar programs. Consequently, the workload data loses much of its value to OSD and the OMB.

3. DoDI 7220.17, "Cost Accounting for Central Supply Management, Industrial Preparedness and Terminal Operations"

DoDI 7220.17 prescribes a minimum cost account structure for use by supply management Activities and other Activities in recording operating expenses and performance. The structure was designed to provide a common basis for program and budget review, development of performance standards, measurement of productivity, and for determining where greatest emphasis for management improvement is needed. The two program elements included are Inventory Control Point Operations, 711120, and Procurement Operations, 711130.

Data were reported one time to the Assistant Secretary of Defense, Installations and Logistics (ASD(I&L)). Since there was too much detail to be analyzed at the ASD level subsequent reports were not made. The "Compendium of Inventory Control Point Management Information" and this Study have found that there are numerous variations in interpretation and application of the definitions of the many functions and output measures in ICP Operations and Procurement Operations. These interpretations vary from Component to Component and from Activity to Activity within the same Component causing a serious lack of uniformity and comparability of the cost and workload data accumulated under this cost account structure. This lack of reliability precludes dependence on such data for orderly and sound decision-making in the budget cycle at the Component, OSD, Office of Management and Budget, and Congressional levels.

The two DoDI 7220.17 specified functions of Requisition Processing and Other Stock Control are examples of the lack of alignment of functional organization and ICP reporting system.

Within the Navy wholesale logistics system, these two functions are performed in part at the Navy stock points. These costs at the stock points are in the Supply Depots/Operations series of accounts under Program Element 711110, not the ICP program element. The same condition prevails for those Defense Logistics Agency (DLA) ICPs for which certain Navy stock points perform requisition processing and other stock control functions. In these cases the total inventory control operations costs of the Navy and DLA ICPs are understated. In the Air Force wholesale logistics system, a similar situation exists in that the Directorate of Distribution at the Air Logistics Center performs some stock control functions. The cost accounts specified by DoDI 7220.17 do not include the command and support costs inherent in the operation of any Activity. If comparative costs are to be a part of the ICP reporting picture then provision must be made for a portrayal of all costs not just costs directly chargeable to a mission function.

The cost accounting system as prescribed by DoDI 7220.17 and as presently implemented by the Components does not provide the management tools for which it was established.

4. DoD 4000.23-M, Military Supply and Transportation Evaluation Procedures (MILSTEP)

Field research disclosed that MILSTEP is the major single source of inventory control management information. MILSTEP data are used extensively at the Activity, Component and OSD levels. Research also confirmed that there are a number of significant deficiencies which degrade MILSTEP as a source of useful data for comparisons of ICPs. The following discussions address some of the more significant deficiencies.

MILSTEP procedures do not require that Pipeline Performance and Analysis Report (Format 1A) data be reported by individual ICP, but only for a consolidated Component report. The availability of data at the Component level by individual ICP varies. For Army, Navy, and DLA, considerable detailed information for each ICP is now available for the entire Fiscal Year. For the Air Force and Marine Corps, only the DoD consolidated Component data are available and contain only the total Component performance data.

Another factor affecting comparability of the MILSTEP Report (Format 1A) data is that elapsed time for "passing actions" from the Navy and DLA decentralized systems is not included in "immediate" and "delayed" ICP issue processing time. Since passing orders are not reported separately by "immediate" or "delayed" issues, the total

wholesale system processing time is not available for comparing performance of Navy and DLA decentralized systems with the centralized systems of other Components.

The present Pipeline Performance and Analysis Report (Format 1A) provides for separate "Continental United States" (CONUS) and "Overseas" reports. The two reports must be added together to obtain a total picture of the ICP requisition processing effort. The ICP Uniform Materiel Movement and Issue Priority System (UMMIPS) time standards are the same for CONUS and overseas. For purposes of analyzing ICP requisition pipeline performance, only a single report which provides "total" individual ICP availability and requisition processing times is necessary or desirable.

Currently, many ICPs and some commodities are not included in the MILSTEP reports; therefore, the MILSTEP data neither reflect the total ICP workload nor the total responsiveness to customers.

For "Stocked Items", the ICP Requisition Processing Time Report (Format 1A) does not include the requisition processing data when out-of-stock items are furnished by direct delivery from the vendor. Different Component supply procedures for direct delivery of stocked items affect the arithmetic mean days for the delayed requisitions of stocked items and prevent a uniform collection of ICP requisition processing data for comparison and evaluation purposes. For example, one Component back orders requisitions for stocked items which are out on a procurement contract. As items are received and processed into the ICP record, the back orders are released for shipment as "stocked items" and included as a delayed issue shipment. Another Component issues numerous procurement contract amendments for direct delivery from the vendor for out-of-stock items but does not include the shipment in the ICP requisition processing time of the Format 1A report as a delayed issue.

Under the present MILSTEP Supply Availability and Workload Analysis Report (Format 2) reporting procedures, if an ICP does not issue an item on the first pass of a requisition against ICP stock availability records, the demand is to be established as a Materiel Obligation Established and counted against the ICP's stock availability. However, what constitutes the "first pass against stock availability records" is not interpreted identically by all Components. The Army and Marine Corps establish a back order immediately when the requisition is rejected and delayed for any reason at the ICP. DLA and the Navy do not count a requisition as having had the first pass against the stock availability records when it is rejected for selective item management review. After item management review,

the requisition is reintroduced into the supply system, and the first pass availability rule is then applied. If stock is available credit is taken for an immediate issue. The Air Force has received a formal waiver to exclude from the first pass availability rule requisitions for selected items which require item management decision before release of materiel. These varying interpretations and implementations result in noncomparable measures of supply availability.

Notwithstanding the noncomparable measures of supply availability mentioned, the stock availability has been accepted and used for an extended period of time as a measure of ICP effectiveness; however, stock availability does not measure customer satisfaction for those items that the ICP does not stock. Stockage or nonstockage of an item may be an essential element to judge the effectiveness of supply policies and decisions.

In addition to the specific areas discussed, there are some general MILSTEP inadequacies from the point of view of the objectives of this Study. MILSTEP includes data covering only a limited range of ICP functions. MILSTEP includes workload and effectiveness data; however, cost and man-hours are not included for determining efficiency.

5. Logistics Performance Measurement and Evaluation System--Procedures and Reporting Instructions (I&L), DoDI 5010.25 1/

This report was implemented in 1969 to provide the ASD (I&L) and other top-level logistics managers with a portrayal of the Components' performance in selected installations and logistics functions. There were 22 measures in the system, 11 were related to activities of ICPs. They were:

--Materiel Obligations Outstanding
--Minimize Wholesale Item Range
--On-Time Pipeline Performance
--Item Identification Improvement
--Utilization of Long Supply, Excess and Surplus Property
--Stock Availability
--Letter Contracts
--Undefinitized Change Orders
--Competition
--Small Business
--Progress Payments

1/ See "NOTE" on page 8, Chapter I.

Because of its purpose and orientation, the Logistics Performance Measurement and Evaluation System fell short in meeting the management needs identified in this Study. First, the data were summarized at the Component or DoD level except for the stock availability data. This made it impossible to compare the ICP actvities described in later chapters of this Study. Second, the system basically portrayed a Component's performance against itself over time and depicted the Component's ability to meet its own established goals.

Most of the LPMES measures identified above were part of other reporting systems. Three of the measures, materiel obligations outstanding, on-time pipeline performance and stock availability were part of the MILSTEP reporting requirements.

The LPMES probably served a useful purpose by highlighting those functions where top management interest lies. Five of the measures had little relationship with the ICPs' effectiveness or efficiency but rather related to a Component's ability to meet directed or national policy goals in the procurement area, i.e., (1) the Report of Letter Contracts, (2) the report of undefinitized change orders, (3) the report of competition in procurement, (4) the report on awards to small business, and (5) the report of progress payments.

Because of these conditions, LPMES did not provide the basic comparative capability at the Activity level sought in this Study. It would be beneficial, however, to consider the LPMES requirements in conjunction with this Study.

6. Armed Services Procurement Regulation Reports

The Armed Services Procurement Regulation specifies several reports concerning DoD procurement actions. Two of these reports are the Individual Procurement Action Report (DD Form 350) and the Monthly Procurement Summary (DD Form 1057). The DD Form 350 report is designed to "provide essential procurement statistics on a uniform basis for required recurring and special reports to the President, the Congress, the Department of Labor, the Office of Emergency Preparedness, the General Accounting Office, the Renegotiation Board, the Small Business Administration, and other Federal Agencies. It provides figures for measuring the extent to which goals are achieved in the DoD Small Business Program and Management Improvement Program, and also provides significant data for other procurement policy and management control purposes."

The DD Form 350 reports individually only those procurement actions of $10,000 or more. In addition, the DD Form 350 exempts certain specified procurement actions, i.e., (1) Defense Personnel Support Center price competitive transactions of $10,000 to $25,000,

inclusive, for perishable subsistence and (2) orders placed against indefinite delivery type contracts entered into by the Defense Fuel Supply Center and the Military Sealift Command. The estimated value of the orders to be placed in each Fiscal Year against each indefinite delivery contract is reported on a separate DD Form 350, however.

The DD Form 1057 report is used in conjunction with the DD Form 350 report to prepare recurring and special reports to the President, the Congress, the Department of Labor, the Office of Emergency Preparedness, the General Accounting Office, the Renegotiation Board, the Small Business Administration and other Federal Agencies.

The DD Form 1057 covers part of the data void of the DD Form 350 in that it includes all procurement actions less than $10,000 except that it excludes action of less than $10,000 which modify an existing contract except when such modification is used to award the set-aside portion of small business or labor surplus area set-aside to successful bidders on the nonset-aside portion or where such modification exercises an option to a set-aside award for additional quantities.

The data in the two procurement reports relate primarily to national policies such as the extent of competitive procurement and the amount awarded small business or distressed areas. The reports do not reflect the effectiveness of the procurement support of the supply mission or the efficiency of the procurement operations.

7. DoD Productivity Program

By the DoD Directive 5010.31, dated 4 August 1975, the Secretary of Defense set forth policies and responsibilities on a continuing program for enhancing, measuring, and evaluating productivity throughout the DoD. The stated objective of the DoD productivity program "is to achieve optimum productivity growth throughout the Department of Defense in order to attain the highest possible level of Defense preparedness with available resources."

The essential thrust of this program is the establishment by each DoD Component of productivity indexes by which productivity trends can be measured and evaluated. The measurement and evaluation procedure is designed to assess the Component's own progress over time. The productivity evaluation indicators used differ from one Component to another. These variations in productivity indicators are acceptable under the objectives of the productivity program; however, the variations are not acceptable under the objectives of this Study.

E. SUMMARY

1. Management's Need for Information. In performing its functions of planning, organizing, directing, coordinating, controlling, and evaluating the use of resources, the several levels of DoD management have demonstrated a need for information which will facilitate:

a. Programming and Budgeting--to determine program resource requirements and the budget levels necessary to achieve them. For example, significant changes in the size or extent of activity of the combat forces must be translated into changes in logistics workload which in turn affects the budget requirements. Information is also necessary to evaluate the adequacy of budgets by assessing performance resulting from budget execution.

b. Policy Evaluation--to determine policy needs, and equally important, to evaluate the effectiveness of existing policy. For example, in the logistics area, provisioning and stock leveling policies can have profound effect on support effectiveness and resource expenditures and must be continually updated and evaluated to insure maximum support within resource restraints.

c. Performance Evaluation--to compare what has been done with what should have been done and to evaluate whether performance goals and standards are realistic and attainable. Information concerning productivity, efficiency, effectiveness and the interrelationships of the three is required to properly evaluate performance. For example, reductions in cost by themselves would normally be considered favorable performance. If, however, a cost reduction results from a significant reduction in workload or effectiveness, the performance evaluation would most likely be quite different. Conversely, an improvement in effectiveness resulting from a significant increase in resource expenditure may be unacceptable.

d. Trade-Off Decisions--since resources are limited, a manager must have sufficient information to make rational trade-offs that insure continuity of operations. For example, would a reduction of requisition expediters have a greater or lesser adverse impact on meantime to fill requisitions than a comparable reduction of item managers?

2. Principles and Objectives for Performance Reporting System. In addition to some general principles governing collection and use of management information, there are other more specific principles applicable to the types of management information addressed in this Study. Generally speaking, the information should come from a common

base, i.e., from the same source, point of count and time periods. Information must be reliable and valid. In addition, to avoid swamping a manager with too much detailed data, the system must be based on management by exception principles and must be flexible to the changing requirements of the manager. Any ICP performance reporting system should provide for functional (rather than organizational) collection of information on a comparable basis while recognizing mission differences. The implications of performance on budgets should be recognized with a system that achieves comparability between budget and cost accounting. The system should provide comprehensive, not piecemeal, information that reflects measures of individual functions as well as total ICP operations and allows for meaningful comparison of Activities to identify required improvement areas. Finally, feed back mechanisms must be built in to insure a two-way flow whereby lower echelons are aware of their relative performance and management's acceptance (or non-acceptance) of it.

3. Current Reporting System. The current reporting systems examined during the course of this Study neither individually nor collectively meet the identified information needs of management. The systems and their major shortfalls are as follows:

a. Programming--The placement of functions within the FYDP structure allow some costs associated with ICP functions to be accumulated with other functions and, conversely, non-ICP costs to be included with ICP costs.

b. Budgeting--Lack of uniformity and comparability of cost and workload data results because variations in the pertinent program elements are permitted.

c. Cost Accounting--Lack of standardization in Component implementation of DoDI 7220.17, "Cost Accounting for Central Supply Management, Industrial Preparedness and Terminal Operations" and variances in missions result in an unsuitable product.

d. MILSTEP--Several deficiencies mitigate against fully useful comparative analysis, not the least of which is the lack of complete coverage.

e. LPMES--Comparison of individual ICPs could not be made since data were reported at the Component level. In addition, most LPMES measures pertaining to ICP functions were duplicative of other reporting systems.

f. Individual Procurement Action Report--Excludes many procurement actions by size and type, therefore, complete data are unavailable.

g. Monthly Procurement Summary--Partially fills the size gap noted above, but excludes several types of procurements thereby resulting in incomplete data.

h. Productivity Program--Components select their own indicators within the guidelines, therefore, they are not uniform for comparison among Components.

4. Conclusions

a. Defense logistic managers do need a management information system for evaluating cost and performance.

b. Systems such as LPMES, MILSTEP, and DoDI 7220.17 have not provided adequate and comparable data.

c. A modified, expanded or new management information system is required if DoD logistic managers are to be provided the tools necessary to fulfill their responsibilities.

CHAPTER III

THE WHOLESALE MATERIEL MANAGEMENT COMMUNITY

A. INTRODUCTION

The purpose of this Chapter is to identify and describe the existing Department of Defense (DoD) community of activities engaged in the performance of wholesale logistics functions examined in this Study. The descriptions provide a basis for understanding the variations in mission, organization and functions of these activities. The discussions incorporate all activities, including contractors, identified as performing one or more materiel management functions, in whole or in part, in support of the DoD wholesale system. Activities providing direct logistics support are included. The identification of the wholesale materiel management community and its related logistics role provide a basis for subsequent analyses of comparability and management information requirements.

The sequence of presentation is by DoD Component. Within each Component the individual activities involved are identified as to mission, organization and command relationships. The discussion identifies activities performing wholesale primary inventory control or secondary inventory control functions and those activities performing the role of an Inventory Control Agent. Individual activities are grouped generically for discussion purposes in relation to their designated wholesale management role. A consolidated list of activities currently performing wholesale primary and secondary inventory control functions and their inventory control agents is provided in Appendix C.

B. THE U.S. ARMY

1. Responsibilities, Chain of Command, and General Organization

The Chief of Staff as the senior officer is directly responsible to the Secretary of the Army. The Chief and his principal staff elements are located in the Washington, D.C. area.

The Deputy Chief of Staff for Logistics (DCSLOG) is the principal staff officer exercising staff cognizance on all matters pertaining to Army logistics for the Army Chief of Staff.

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From a wholesale logistics management viewpoint, the U.S. Army is organized as shown in Figure III-1. The Army's wholesale logistics environment includes the Army Materiel Development and Readiness Command, the Army Health Services Command (Surgeon General) and the Army Security Agency.

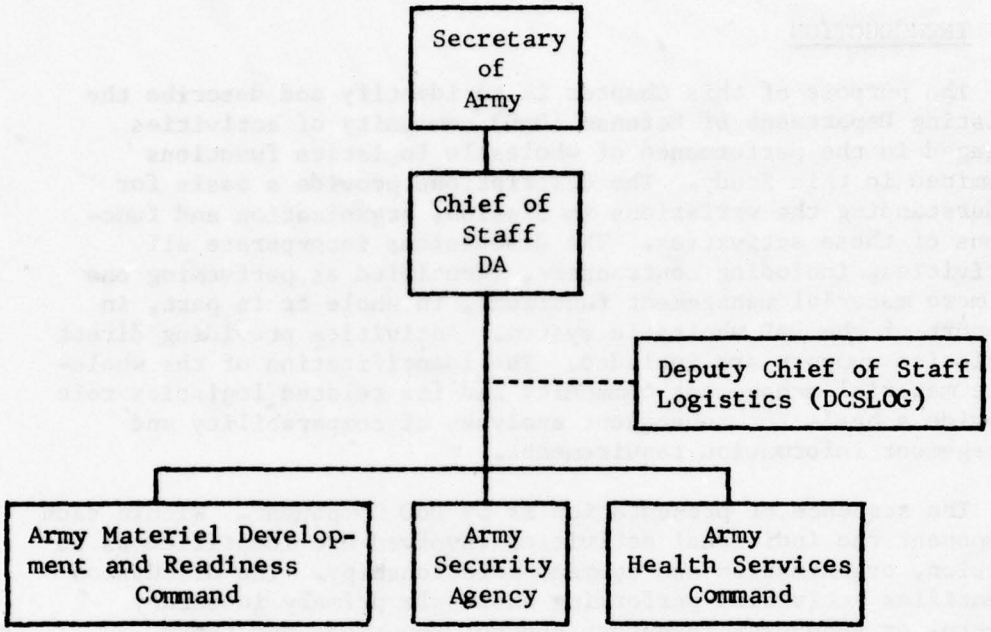


Figure III-1

2. Subordinate Logistics Commands and Activities

a. The Army Materiel Development and Readiness Command

To support its operating forces worldwide, the Army has a separate logistical command, the Army Materiel Development and Readiness Command (DARCOM). DARCOM was formerly the U.S. Army Materiel Command (AMC) and is located in the Washington, D.C. area. Organizationally, DARCOM is on a level with the Army's Training and Doctrine Command (TRADOC) and Forces Command. The Commanding General, DARCOM, (CGDARCOM) is tasked by the Department of the Army (DA) to provide policy direction for its assigned materiel functions which encompass research and development, product engineering, procurement and production, inventory management, storage, distribution, and maintenance. DARCOM also provides managerial and related services to U.S. and foreign customers.

The Army is in the process of a DARCOM reorganization. The reorganization will result in the eventual segregation of Research, Development, Test and Evaluation (RDT&E) functions from those of supply and readiness, currently combined at the major subordinate commands, and the creation of separate Development Commands. The mission assignment of the new "Development Commands" is not yet firm. The extent of the impact of an organizational change of this magnitude on the performance of Inventory Control Point (ICP) functions, both as to assignment of responsibilities and mode of operations is not known. Consequently, this Study does not address the proposed DARCOM reorganization.

To assist DARCOM Headquarters in accomplishing the DA assigned logistics mission, a worldwide network of 78 military installations and 124 various logistics related activities is located throughout the Continental United States (CONUS) and the overseas theaters. The eight current major subordinate commands of DARCOM located in CONUS are:

The U.S. Army Armament Command (ARMCOM)
The U.S. Army Aviation Systems Command (AVSCOM)
The U.S. Army Electronics Command (ECOM)
The U.S. Army Missile Command (MICOM)
The U.S. Army Tank-Automotive Command (TACOM)
The U.S. Army Troop Support Command (TROSCOM)
The U.S. Army Test and Evaluation Command (TECOM)
The U.S. Army International Logistics Command (ILCOM)

ARMCOM, AVSCOM, ECOM, MICOM, TACOM, and TROSCOM are commonly referred to as the Army Commodity Commands. The Commodity Commands are responsible for integrated and component materiel management of assigned items and perform both Primary Inventory Control Activity (PICA) and Secondary Inventory Control Activity (SICA) functions. The two remaining major DARCOM subordinate commands are designated as a Test and Evaluation Command and an International Logistics Command. The eight major DARCOM commands perform assigned logistics management functions within their headquarters and also assign PICA and SICA management and other related logistics functions in varying degrees to subordinate field activities. These subordinate field activities and the functions assigned are discussed in this chapter.

In addition to the major subordinate commands and field support activities identified as PICA and SICA activities, there are other subordinate DARCOM activities which assist in

the performance of, or perform one or more functions for the designated Army PICAs or SICAs. The following activities are classified as Inventory Control Agents (ICAs). The performance of their mission and functions are discussed in this chapter.

The U.S. Army Automated Logistics Management System (ALMSA)
The U.S. Army International Logistics Command (ILCOM)
The U.S. Army Major Item Data Agency (MIDA)
The U.S. Army Catalog Data Agency (CDA)
The U.S. Army Training Device Agency (ATDA)

b. Other Commands Providing Logistics Support. DARCOM commands and subordinate field activities provide the majority of wholesale logistics support to Army operating forces worldwide. Two other commands within DA, the U.S. Army Health Services Command (Surgeon General) and the U.S. Army Security Agency (ASA), not in the DARCOM Chain of Command, are also assigned a wholesale materiel management mission. They are organizationally on a level with DARCOM and report to the Chief of Staff of the Army. The Surgeon General and ASA each has a subordinate field activity, the U.S. Army Medical Materiel Agency and the U.S. Army Security Agency Materiel Support Command, which perform materiel management functions in support of the parent organizations mission. Each is discussed in this Chapter.

3. Primary and Secondary Inventory Control Assignments

The Army's wholesale logistics community is comprised of 11 organizations having item management assignments. Table III-1 shows the primary and secondary inventory control assignments for the Army's PICAs and SICAs.

Table III-1 indicates that the eight Army PICAs have primary assignments from 1,000 to over 80,000 National Stock Numbers (NSNs) and secondary inventory control assignments ranging from less than 100 to over 200,000 NSNs. Army ICPs performing only as SICAs have inventory control assignments ranging from 10,000 to over 300,000 NSNs.

Table III-1

U.S. ARMY INVENTORY CONTROL POINTS
DESCENDING ORDER OF NSNs ASSIGNED

Activity	Primary Management			Secondary Management
	Consumables	Nonconsumables	Total	
Electronics Command	49,162	30,993	80,155	227,540
Aviation Systems Command	54,344	5,588	59,932	5,916
Tank-Automotive Command	48,300	2,910	51,210	55
Armament Command	34,053	8,178	47,065 1/	1,965
Missile Command	33,834	10,030	43,864	830
Troop Support Command	11,810	6,483	18,293	1,233
Security Agcy Materiel Support Cmd	2,689	3,883	6,572	791
Communications Security Log Agency	9	1,032	1,041	502
General Materiel & Petroleum Acty	0	0	0	385,615
Medical Materiel Agency	0	0	0	13,297
Support Center, Philadelphia	0	0	0	10,365
Total	234,201	69,097	308,132 1/	648,109

Sources: IMSS-4 Report, 31 December 1975 and FCDNA for nuclear items.

1/ Includes 4,834 nuclear items not identified as consumables or nonconsumables.

4. Activities with PICA, SICA, and ICA Missions. The following discussion identifies the Army organizations performing PICA/SICA functions and activities acting as ICAs.

a. DARCOM Commodity Commands

The Commodity Commands' (ARMCOM, AVSCOM, ECOM, MICOM, TACOM, and TROSCOM) basic mission is to perform integrated and component materiel management of assigned DoD materiel to include research, design, development, modification, product engineering, maintenance, procurement, production, industrial mobilization planning, cataloging, standardization, and supply control.

The Commodity Commands are organized as prescribed by DARCOM and are all classified as PICA/SICA activities. Their organizational structure is basically similar; however, deviations do exist in ARMCOM, ECOM, TROSCOM, and AVSCOM, which are discussed below.

The Directorate for Materiel Management within each Commodity Command is primarily responsible for performing PICA/SICA materiel management functions. Other Commodity Command Directorates perform tasks which support the materiel management function.

The Commodity Commands perform extensive non-ICP functions which are outside the scope of this Study as outlined in Chapter I of this Report. Among these non-ICP functions are RDT&E, maintenance, project management and procurement to support the Research and Development Program.

The assigned principal and secondary items managed by the Commodity Commands are stored at 17 depots located throughout CONUS and issued to Army customers. Maintenance, repair and rebuild of principal end items and reparables are accomplished primarily by Army depots or commercial contractors except for a limited amount performed in the Army's arsenal system.

(1) The U.S. Army Armament Command

ARMCOM is tasked by DARCOM to perform the full range of PICA/SICA functions for assigned NSNs and Army interest items. ARMCOM is also an inventory control agent (ICA) and performs some ICP functions for Field Command, Defense Nuclear Agency (FCDNA) managed items which are discussed in this Chapter under the Defense Nuclear Agency. Assisting ARMCOM is the U.S. Army Arsenal System consisting of subordinate activities which perform research, development and engineering functions and as ICAs provide technical support for ARMCOM. The arsenals perform maintenance, repair and rebuild and they maintain a manufacturing capability for selected items.

In addition to the subordinate Army arsenals there are Government Owned-Contractor Operated (GOCO) plants, 17 active and 9 inactive, supporting the ARMCOM mission.

(2) The U.S. Army Troop Support Command

TROSCOM is responsible for the full range of PICA/SICA functions performed for assigned Army NSNs and interest items. The research, development, engineering and technical support is provided primarily by the Natick Development Center, Natick, Massachusetts, and the Mobility Equipment Research and Development Center (MERDC), Fort Belvoir, Virginia. Natick and MERDC are DARCOM Research and Development Centers, reporting directly to DARCOM Headquarters. They are not TROSCOM subordinate field activities.

TROSCOM has two major subordinate activities within its organizational structure, the General Materiel and Petroleum Activity (GMPA) New Cumberland Army Depot, Pennsylvania, and the U.S. Army Support Activity, Philadelphia, Pennsylvania. The two perform SICA functions for Army interest materiel.

GMPA is the logistics focal point between the Defense Logistics Agency's (DLA) Supply Centers and the General Services Administration (GSA) for DLA and GSA assigned commodities. GMPA acting as a SICA obtains and consolidates Army user general materiels and fuels requirements and provides the required data to the appropriate DLA PICA and to GSA. GMPA also participates in the DoD Standards Program and Item Reduction Studies.

The Army Support Center, Philadelphia performs SICA functions for commodities, i.e., clothing, textiles, subsistence, tentage, individual nonmedical toilet articles and heraldic items. These SICA functions include new item integration planning, equipment authorization review, cataloging, requirements computation to support contingency plans and general mobilization, and review and approval of authorized stockage lists and complete intra-Army materiel management for all heraldic and other regulated items.

(3) The U.S. Army Electronics Command. ECOM performs the full range of PICA/SICA functions for Army assigned NSNs and interest items. Within the ECOM organizational structure there is a subordinate field activity, the U.S. Army Communications Security Logistics Agency (COMSEC), which functions as a separate PICA/SICA activity. COMSEC provides Army users a focal point for mission accomplishment of COMSEC logistics and related matters. The activity performs PICA/SICA functions for assigned COMSEC equipment, aids, and accountable repair parts. COMSEC is tasked to

provide wholesale logistics support worldwide to the Army, unified commands, and other Government agencies as assigned. COMSEC items specifications are generally classified.

(4) The U.S. Army Aviation Systems Command

AVSCOM performs the full range of PICA/SICA functions for assigned aviation NSNs and interest items.

The AVSCOM organization structure depicts plant cognizance offices resident at four commercial contractors' plants. These offices perform functions in support of the Commodity Command mission and are responsible for the contract administration of Defense contracts at the four plants.

b. The U.S. Army Health Services Command

The Surgeon General is tasked by DA to provide medical and dental support to Army operating forces worldwide. The Surgeon General is also responsible for medical research, development, test and evaluation, and programming for construction of Army hospitals. The U.S. Army Health Services Command includes a major subordinate activity, the U.S. Army Medical Materiel Agency (USAMMA), which is responsible to the Surgeon General for the execution of the assigned Army materiel management mission.

USAMMA, a SICA activity, performs the SICA functions for Army interest items, i.e., requirements determinations; requisition management; cataloging; technical guidance and assistance; financial management and budget preparations; and procurement.

c. The U.S. Army Security Agency

ASA is tasked by DA to provide worldwide electronics intelligence support to ASA units and other Government agencies as assigned. ASA also performs a research and development, test and evaluations, and maintenance mission. ASA's organizational structure includes a major subordinate field activity, the U.S. Army Security Agency Materiel Support Command. The Materiel Support Command is responsible to ASA and DA for the execution of the Army assigned materiel management mission.

The U.S. Army Security Agency Materiel Support Command is a PICA and SICA activity and performs the full range of materiel management functions in relation to security agency electronics intelligence items and National Security Agency (NSA) design controlled repair parts.

d. The U.S. Army Automated Logistics Management System Agency. ALMSA is the central wholesale systems design agency of DARCOM and as an ICA is tasked to develop and maintain standard ICP application programs for the Commodity Commands. The Agency also develops wholesale automated data processing (ADP) and software packages and is the Army focal point for ADP advanced technology including the data element and codes standardization program.

e. The U.S. Army International Logistics Command. ILCOM, as a DARCOM ICA is responsible for the administration and management functions of the Army's involvement in the DoD International Logistics Program. The program includes both Grant Aid (GA) and Foreign Military Sales (FMS). ILCOM, distributes, and prepares as required, requisitions to appropriate DoD PICAs to supply a foreign country's approved and funded materiel requirements. The organization also performs requisition, financial and overall program control for the total Army involvement in the International Logistics Program.

f. The U.S. Army Major Item Data Agency. MIDA, as a DARCOM ICA performs ICP and non-ICP functions. MIDA is responsible for requirements, contingency, and distribution planning; worldwide asset reporting of Principal End Items; and item management data. MIDA performs special studies and develops logistics reports to support Army PICAs and SICAs. Non-ICP related functions include depot maintenance work loading in support of Army depot repair and rebuild operations.

g. The U.S. Army Catalog Data Agency. CDA, a subordinate logistics activity of DARCOM Headquarters, is an ICA tasked to provide cataloging support to all Army PICAs and SICAs. CDA maintains the master catalog files and provides a support service to Army PICAs and SICAs in relation to the Army catalog program; i.e., CDA compiles and edits manuscripts for publication; develops indexes to supply catalogs; develops management data lists and supplementary interchangeability and substitution lists; and provides a worldwide "hot line" service to Army users for management data problems. The CDA is also responsible for distributing catalog related information and data changes to Army users worldwide.

h. The U.S. Army Training Device Agency. ATDA operates under the DARCOM Training Devices Project Manager (PM). This PM is responsible for project management of Army Training Devices,

except those under the cognizance of the Commodity Commands and other specified PMs. The DARCOM PM is located at Fort Benning, Georgia, and reports to the DARCOM. ATDA is collocated with the Naval Training Equipment Center (NTEC) in Orlando, Florida but supports the Army's Training Device requirements as a separate entity from the Navy Center. ATDA is responsible for research, development, product assurance, initial procurement, production, distribution and integrated logistics support of training devices as directed by the DARCOM PM. ATDA is an ICA and provides support to Army PICAs and SICAs; e.g., ATDA provides the technical data package upon completion of type classification to the appropriate Commodity Command.

C. THE U.S. NAVY

1. Responsibilities, Chain of Command and General Organization

The Chief of Naval Operations (CNO) as the senior Naval Officer, is directly responsible to the Secretary of the Navy for the total performance of the Navy. The CNO and his principal staff elements are located in the Washington, D.C. area.

The Deputy Chief of Naval Operations (Logistics) (DCNO) (LOG) is the principal Naval Officer exercising staff cognizance on all matters pertaining to logistics for the Chief of Naval Operations.

From a wholesale logistics management viewpoint, the U.S. Navy is organized as shown in Figure III-2. The Navy's wholesale logistics environment includes the Naval Material Command, the Bureau of Medicine and Surgery, the Military Sealift Command and the Director, Naval Education and Training.

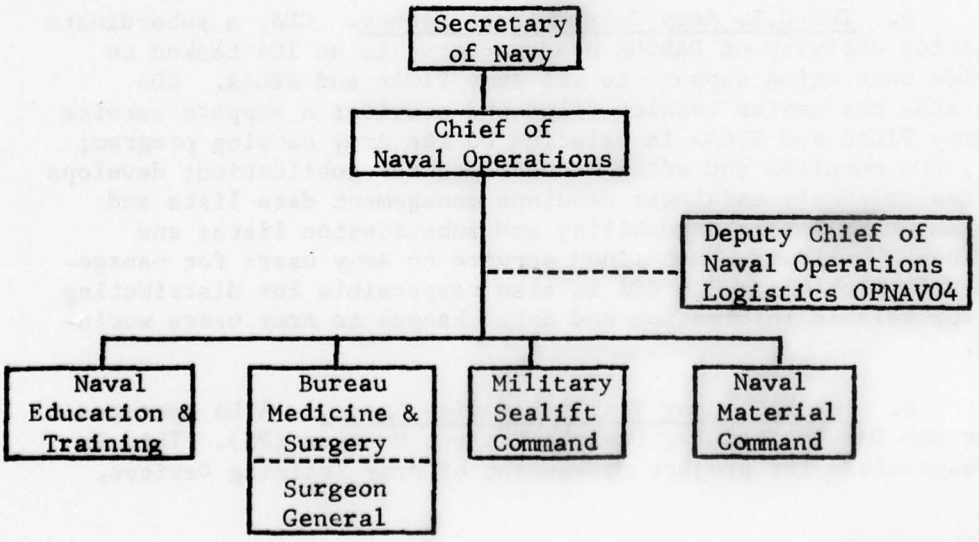


Figure III-2

2. Subordinate Logistics Commands and Activities

a. Naval Material Command

To support the operating forces of the Navy worldwide, the Navy has a separate logistical command, the Naval Material Command (NAVMAT). NAVMAT is located in Washington, D.C. and commanded by the Chief of Naval Material (CNM). The CNM is tasked by the CNO to provide the total system and materiel support needs for Navy equipment, weapons and weapon systems, materials, supplies, facilities, maintenance, and supporting services. This support includes, but is not limited to, development (R&D), acquisition, procurement, construction, maintenance, alteration, repair, and overhaul of ships, aircraft, surface and undersea craft; space and oceanographic systems and equipment; training equipment and devices; vehicles systems and equipment; fixed ocean systems; and shore facilities and utilities.

On matters pertaining to contracting, procurement, production, exploratory development and laboratories, the CNM provides direct staff assistance in support of the CNO, Commandant of the Marine Corps and heads of other Department of the Navy and Department of Defense organizations. The five major subordinate commands of NAVMAT are the Naval Systems Command (SYSCOMs) located in the Washington, D.C. area. They are:

The Naval Sea Systems Command (NAVSEA)
The Naval Air Systems Command (NAVAIR)
The Naval Electronics Systems Command (NAVELEX)
The Naval Facilities Engineering Command (NAVFAC)
The Naval Supply Systems Command (NAVSUP)

NAVSEA, NAVAIR, and NAVELEX are commonly referred to as the Navy Hardware Systems Commands (HSCs). In addition to the assigned logistics management functions which the SYSCOMs perform internally within their headquarters organizational structure, each has subordinate field activities which to varying degrees perform wholesale materiel management and other related logistics functions which are discussed in this chapter.

b. Strategic Systems Project Officer (SSPO). The SSPO located in the Washington, D.C. area is a CNM designated project office responsible for development, acquisition, and overall logistics support of the Fleet Ballistic Missile (FBM) systems

Polaris and Poseidon, and of the Trident Submarine Weapon System. Although SSPO is designated a Project Office, the organization performs wholesale materiel management functions similar to the SYSCOMs. SSPO has field activities which perform logistics functions and will be discussed in this chapter.

c. Other Commands Providing Logistics Support

In addition to CNM and his major subordinate commands and field activities there are three other organizations which perform wholesale materiel management functions. They are the Bureau of Medicine and Surgery (BUMED) (Surgeon General), the Military Sealift Command (MSC) and the Director, Naval Education and Training. These organizations are not in the CNM chain of command.

BUMED and MSC are separate commands organizationally on a level with NAVMAT and function directly under the CNO. The Director of Naval Education and Training reports to the CNO. All headquarters are located in the Washington, D.C. area.

3. Primary and Secondary Inventory Control Assignments

The Navy logistics community is a complex network of organizations performing the full or a limited range of ICP functions. Table III-2 shows the primary and secondary inventory control assignments for the Navy PICAs/SICAs.

The data in Table III-2 depicts a total of 19 activities assigned PICA/SICA missions. Of the 15 PICAs, 13 have primary inventory control assignments for less than 8,000 NSNs. Two Navy PICAs have primary inventory control assignments for over 325,000 NSNs.

Four activities have only SICA missions. Table III-2 depicts the Navy Fleet Material Support Office (FMSO) as the designated Secondary Inventory Control Activity (SICA) for Navy interest items. The activities are assigned PICA responsibilities as reflected in Table III-2. However, the Navy Petroleum Office, BUMED and the Naval Medical Material Support Command actually perform many of the SICA functions.

Table III-2

NAVY INVENTORY CONTROL POINTS
DESCENDING ORDER OF NSNs ASSIGNED

Activity	Primary Management			Secondary Management
	Consumables	Nonconsumables	Total	
Ships Parts Control Center	269,202	80,359	351,573 1/	-
Aviation Supply Office	258,154	69,811	327,965	-
Ship Engineering Center	0	7,415	7,415	-
Lockheed-SPL-60	0	2,824	2,824	-
Air Systems Command	0	2,600	2,600	-
Sea Systems Command	0	1,903	1,903	-
Military Sealift Command	0	1,770	1,770	-
Civil Engring Support Office	0	1,567	1,567	-
Electronics Systems Command	0	1,495	1,495	-
Training Equipment Center	0	485	485	-
General Electric-SPG	0	462	462	-
Mine Engineering Facility	0	214	214	-
Sperry-SPS	0	205	205	-
Autonetics-SPA	0	154	154	-
Westinghouse-SPL-35	0	123	123	-
Fleet Material Support Office	0	0	0	1,092,792
Petroleum Office	0	0 2/	0	- 3/
Bureau of Medicine & Surgery	0	0	0	- 3/
Medical Material Support Cmd	0	0	0	- 3/
Total	527,356	171,387	700,755 1/	1,092,792

Source: IMSS-4 Report, 31 Dec 1975 and FCDNA for nuclear items.

1/ Includes 2,012 nuclear items not identified as consumables or nonconsumables.

2/ Five items reflected in Report. Items are in the process of being transferred to DGSC. Therefore, activity not counted as PICA.

3/ Performs as SICA. FMSO is designated in the IMSS report as the SICA for all Navy interest items.

4. Activities with PICA, SICA, and ICA Missions

The Chief of Naval Material (CNM) has assigned primary and secondary materiel management responsibility for assigned NSNs and Navy interest items to the subordinate SYSCOMs, SSPO, and related supporting field activities. In addition, the CNO has tasked MSC and NTEC with a primary and secondary materiel management responsibility and BUMED a secondary materiel management responsibility.

To assist in comprehending the magnitude and complexity of the Navy logistics structure, the following discussion identifies organizations which perform PICA, SICA and ICA functions as well as non-ICP functions.

a. Strategic Systems Project Office (SSPO)

SSPO's basic mission is the acquisition and operational support of Fleet Ballistic Missile Systems (Polaris and Poseidon), and development, acquisition, and support of the Trident Submarine Weapon System. SSPO develops navigation satellites for Fleet Ballistic Missile System requirements and controls Fleet Ballistic Missile Submarine (SSBN) defense and other projects designated by CNM.

To support the SSBN program the CNM has tasked the Director, Strategic Systems Projects with "cradle to grave" responsibilities including: research and development, engineering, technical, procurement, and materiel management.

The SSPO mission to support the Navy's SSBN program is comparable to that assigned to the HSCs.

The Director, Strategic Systems Projects has subordinate SSPO field activities located at Navy Plant Representative Offices (NAVPLATREPROs) collocated at contractor plants in California, Massachusetts, and New York. The SSPO field activities perform a significant materiel management role in support of the SSBN mission for the following assigned materiel: Launcher Handling System, Fire Control, Navigational Systems, Missile Systems, and Test and Operations Systems.

SSPO and the supporting field activities perform the whole range of PICA/SICA functions for items managed, i.e., principal items requiring close configuration and technical

control throughout the life of the item and items new to the DoD environment, until design stability is achieved. In addition to the number of assigned NSNs managed at each SSPO contractor plant, approximately 9,000 Service assigned stock numbers (Activity Control Numbers (ACNs)), are also managed by the contractors in support of the SSBN programs. Much of the SSPO materiel management role is performed by civilian contractor employees at six plant sites under the direction and supervision of SSPO field activity personnel. Contractor Item Manager (IM) responsibility is promulgated by instructions, directions, audits, and daily direction from each Technical Branch of SSPO Headquarters. The SSPO field activity performs as an intermediary between the Headquarters and the contractor IMs. The field activity personnel perform a day to day review of actions taken by the contractor and provide policy and guidance to the IMs about their SSPO materiel management assignment. Contractor plants identified as performing inventory control and support functions are:

(1) Lockheed Missile and Space Company

(2) Westinghouse Electric

(3) Sperry Gyroscope

(4) Autonetics

(5) General Electric

(6) Vitro Laboratories

SSPO Headquarters in addition to exercising overall control of the SSBN program also performs as an ICA with specific functions (i.e., budgeting, funding, contract authority) and approves and controls all engineering change proposals. The Ships Parts Control Center (SPCC) vertical organization (Code 890) provides logistics support to the SSBN program (e.g., program management and coordination, allowance preparation, materiel management for selected secondary items assigned to SPCC applicable to FBM weapon system). As an ICA SPCC performs the cataloging function for all SSPO activities. Vitro Laboratories does not manage items but performs the ADP processing service for the SSPO contractor IMs and their assigned items. Vitro operates a central data bank and maintains data and status of all SSPO managed items.

b. Naval Sea Systems Command (NAVSEA)

NAVSEA is tasked to perform research and development, engineering, acquisition, technical, procurement, materiel management, project management, and industrial management to include direction and control of Navy Shipyards in support of the Navy's: new ship construction and conversion; Fleet Modernization Program; Fleet Maintenance Program; and Defense Security Assistance.

To assist in the accomplishment of the above mission NAVSEA has two subordinate field activities, the Naval Ship Engineering Center (NAVSEC), Hyattsville, Maryland, and the Naval Mine Engineering Facility, Yorktown, Virginia, which perform a logistics support role. The basic mission of the engineering center and facility is research and development, however, both activities perform PICA/SICA materiel management functions. The Study Team was informed that NAVSEC and the Naval Mine Engineering Facility are in the process of transferring their PICA assignments to NAVSEA and SPCC respectively.

NAVSEA's organization depicts three separate activity elements, Headquarters, NAVSEC, and the Naval Mine Engineering Facility, which perform PICA/SICA functions for the following materiel categories: (a) major shipboard electronics materiel, (b) major ordnance equipment and components, (c) major shipboard hull, mechanical and electrical materiel, (d) torpedoes and components, (e) mines and components, and (f) surface launched guided missiles and components. In addition to assigned NSNs NAVSEA also performs materiel management functions for approximately 3,000 Service assigned stock numbers. Approximately 2,000 ACNs are Government Furnished Materiel (GFM) that are constantly changing and 500 ACNs are active items under constant demand. The Headquarters is responsible for developing and establishing internal NAVSEA materiel management policy and procedures which govern the command and supporting activities in the performance of assigned PICA/SICA functions. NAVSEA also performs other functions, e.g., refit, restoration, and rework; materiel scheduling, progressing and reporting.

As an ICA in support of the NAVSEA materiel management function SPCC performs the cataloging service and provides ADP services to NAVSEA. NAVSEC and the Naval Mine Engineering Facility's provisioning and cataloging is performed by SPCC.

c. Naval Air Systems Command (NAVAIR)

NAVAIR's basic mission is to perform research and development, engineering, acquisition, technical, procurement, materiel management, and project management in support of the Navy's aviation program. In addition, NAVAIR determines the Designated Overhaul Points (DOPs) for aviation equipment repair and rebuild and is responsible for providing the necessary Operations and Maintenance Navy (O&MN) funds.

To assist in the accomplishment of its mission, NAVAIR Headquarters has two major field activities, the Naval Air Engineering Center (NAEC), Lakehurst, New Jersey, and the Naval Air Test Center (NATC), Patuxent River, Maryland. NAEC and NATC both perform a support role for NAVAIR in relation to engineering and test evaluation functions. NAEC also performs technical services for ICPs and is an ICA in procurement of selected items of Ground Support Equipment (GSE).

NAVAIR Headquarters is responsible for performing PICA/SICA functions for the following materiel categories: Aircraft Engines and Change Kits; Air Launched Missiles; Ground Support Equipment; Photographic and Meteorological Equipment; and Aircraft Launch and Recovery Equipment. Items in these categories are components of major end items and systems. In addition to assigned NSNs, NAVAIR performs materiel management functions for more than 11,000 Service assigned stock numbers (ACNs). Approximately 130 ACNs are Aircraft Engines and 11,000 ACNs are Aircraft Technical Change Kits.

NAVAIR Headquarters develops and establishes internal NAVAIR materiel management policy and procedures which govern the Command's performance of PICA/SICA functions.

NAVAIR also performs other functions, e.g., work load scheduling at DOPs, input to O&MN Fleet Support and Maintenance Budget, and Material Inspection, Storage and Quality Control.

As an ICA in support of the NAVAIR materiel management function, the Aviation Supply Office (ASO) performs the cataloging and provides ADP services.

d. Naval Electronics Systems Command (NAVELEX)

NAVELEX's basic mission is to perform research and development, engineering, acquisition, technical, procurement, and materiel management in support of the Navy's Communication and Electronics Program.

To assist in the accomplishment of this mission, NAVELEX Headquarters oversees eleven field activities which are engaged in research and development for future electronics items and equipments. NAVELEX's supporting field activities are comprised of Engineering Centers, Designated Overhaul Points (DOPs), and the Navy Space Systems Activity. The field activities do not perform materiel management functions in support of NAVELEX as do selected field activities which support the NAVSEA and NAVAIR mission.

NAVELEX Headquarters performs PICA materiel management functions in relation to the following categories of Navy assigned materiel: Shore and Shipboard Communications Equipment; Navigation, Surveillance and Air Traffic Control; and General Purpose Electronic Equipment for Cryptological Telemetry and related Test Equipment. In addition to assigned NSNs, the Headquarters also manages approximately 110 Service assigned stock numbers (ACNs).

SPCC as an ICA performs cataloging and provides ADP services to support the NAVELEX materiel management function.

e. Naval Facilities Engineering Command (NAVFAC)

NAVFAC's basic mission is to perform technical management and funding for all permanent construction and maintenance of Class I and II real property located at Naval Installations worldwide. NAVFAC is also assigned a research and development, engineering, technical, procurement direction and materiel management mission for the Navy's Civil Engineer Support Program.

To assist in the accomplishment of this mission NAVFAC Headquarters has supporting field activities, Naval Construction Battalion Centers (NCBCs) and Regional Public Works Centers, which perform functions in direct support of the SYSCOM.

In relation to this Study, the PICA/SICA functions assigned to NAVFAC are primarily performed by the Civil Engineer Support Office (CESO) at the NCBC, Port Hueneme, California. However, NAVFAC Headquarters has a Transportation Division which initiates Military Interdepartmental Purchase Requests (MIPRs) for construction equipment in response to Naval installations (non-Construction Battalion) requisitions. The MIPRs are transmitted to the ICPs or GSA which have procurement responsibility for the required materiel.

CESO performs the PICA management functions for the following categories of materiel: automotive; construction; rail; weight handling; earth moving; prefabricated structures; power support--generators, compressors; and specialized--shop equipment vans and trailers. CESO does not have procurement authority but prepares MIPRs and requisitions for required equipment. Procurement support is provided by GSA, DLA, TACOM, Navy Construction Battalion Center, Davisville, R.I., and the Navy Regional Purchase Office, Long Beach, California. The NCBC, Port Hueneme, of which CESO is a tenant, has local procurement authority up to $10,000.

In addition to the PICA/SICA functions performed by CESO for NAVFAC, the NAVFAC Headquarters is responsible to CNM to accomplish non-ICP related functions such as: research and development; technical and funding approval of base construction and maintenance; construction performed under the Regional Public Works Centers cognizance; military construction performed by Construction Battalions; and storage of Civil Engineering Support equipment and Prepositioned War Reserve Support materiel.

SPCC is the provisioning agent for construction and engineering equipment to support the NAVFAC materiel management function performed by CESO. ADP services are provided by NCBC, Port Hueneme.

f. Naval Supply Systems Command (NAVSUP)

The CNM has assigned to NAVSUP the responsibility for maintaining an integrated and comprehensive Naval supply system to support Naval forces worldwide. To accomplish the assigned mission NAVSUP is tasked to perform financial, and procurement management, Fleet support and supply operations, plans and policy and systems development, transportation, food services, fuel management, and resale programs.

Six major subordinate field activities help NAVSUP Headquarters perform the assigned Navy logistics mission.

Aviation Supply Office (ASO)
Ships Parts Control Center (SPCC)
Fleet Material Support Office (FMSO)
Navy Publication and Forms Center (NPFC)
Navy International Logistics Control Office (NAVILCO)
Navy Petroleum Office (NPO)

NPFC performs materiel management for forms and publications and is excluded from this Study due to the category of materiel managed, as indicated in Chapter I.

NAVSUP also exercises management direction and control over six Naval Supply Centers (NSCs).

NAVSUP Headquarters develops and establishes materiel management policy and procedures which govern NAVSUP's worldwide field activities in executing PICA/SICA assignments. The following discussion identifies the mission and full or limited PICA/SICA functions performed by NAVSUP's field activities and the relationship of NAVSUP field activities to other Navy organizations involved in providing logistics support to Naval forces.

(1) Fleet Material Support Office (FMSO)

Under the Defense Integrated Data System (DIDS) the Navy designated FMSO as the SICA for all Navy interest items. In this capacity, FMSO operates as the Navy focal point for other DoD ICPs and GSA. The Navy generally delegates to other Navy PICAs/SICAs the responsibility to perform the majority of the required SICA functions (e.g., cataloging, provisioning, technical support). FMSO does perform SICA functions for selected items.

FMSO is assigned a mission encompassing both a direct and indirect Fleet support role. To accomplish this mission FMSO performs PICA/SICA and non-ICP functions and also acts as an ICA. FMSO performs a DoD-wide function in relation to development of the Federal Item Identification Guide (FIIG) for classes of items assigned and managed by Navy PICAs and other DoD ICPs. The SICA functions cover such areas as publishing supply catalogs, developing stockage lists (load lists) for materiel and repair parts carried aboard supply ships and tenders, providing fitting out assistance for new construction and major conversion of ship and computation

of Prepositioned War Reserve (PWR) materiel requirements. FMSO acts as NAVSUP's agent for management of the Navy's retail stock fund, is the central catalog agent for the Navy, and is responsible for the maintenance of the Management Data List (MDL). FMSO as an ICA provides ADP systems for IMs (i.e., SPCC, ASO, HSCs), NSCs, depots and major industrial centers including Naval and Marine Corps Air Stations (NASs/MCASs).

(2) Aviation Supply Office (ASO)

ASO is tasked to perform the full range of PICA/SICA functions for assigned Navy and interest items in support of Naval aviation. ASO's very extensive SICA mission is depicted in this discussion. The Branch Aviation Office (BRASO), an integral part of the ASO organization, is located at Naval Air Station, Lakehurst, New Jersey, and performs some PICA functions for aircraft carrier catapult and arresting gear materiel. The functions performed by BRASO are limited (e.g., inventory control and technical support including cataloging) in relation to the PICA definition in Chapter 1.

Although FMSO is the designated Navy SICA activity for aviation interest items managed by other DoD ICPs, ASO actually performs many of the required SICA functions including provisioning. ASO as an ICA provides support to NAVAIR for Navy weapon systems and equipment managed, e.g., cataloging and ADP services. In turn, NAVAIR performs some ICA functions, e.g., technical support, for ASO managed items. ASO also manages and monitors the preparation, maintenance, and revision of Aviation Allowance Lists (AVCALs), Initial Outfitting Lists and Tables of Basic Allowance. ASO is involved in Value Engineering Programs to the extent of receiving, reviewing, and recommending courses of actions to NAVAIR which controls and approves aviation engineering change proposals.

ASO also monitors and controls the Navy standard interservice Not Operationally Ready, Supply (NORS) reporting system for aircraft, "Not Operationally Ready Supply Aviation Item Report - NORSAIR." NORSAIR provides status on unavailable materiel which causes an aircraft to be Not Operationally Ready, Supply (NORS), or Not Fully Equipped (NFE). All NORS and NFE requisitions, regardless of age which have been forwarded by the supporting supply activity to an off-station activity for satisfaction of the requirement, are reported on the ASO NORSAIR report. ASO extensively manages each item on the NORSAIR report to ensure the degraded condition is satisfied by the IM in a timely manner.

(3) Ships Parts Control Center (SPCC)

SPCC performs the full range of PICA/SICA functions for assigned and interest items. The SPCC ICA mission is extensive as evidenced by the catalog function and ADP services performed in support of SSPO, NAVSEA, NAVELEX, and designated field support activities, i.e., CESO, NAVSEC, and Naval Mine Engineering Facility. These Navy logistics activities provide technical support in varying degrees to SPCC for assigned Navy materiel.

SPCC manages and monitors the preparation, maintenance, and revision of Coordinated Shipboard Allowance Lists (COSALs), Initial Outfitting Lists, Load Lists for Ships, Coordinated Allowance Lists for Shore Establishments, and SPCC is involved in the Value Engineering Program.

FMSO is the designated SICA for Navy shipboard related interest items and SPCC actually performs the majority of the SICA functions including provisioning for shipboard and electrical materiel assigned to other DoD ICPs for integrated materiel management.

SPCC, as an ICA, also performs some ICP functions for Field Command, Defense Nuclear Agency (FCDNA) managed items discussed in this Chapter under the Defense Nuclear Agency.

(4) Navy International Logistics Control Office. NAVILCO is tasked to perform PICA management functions to support the Navy's involvement in the DoD International Logistics, Military Assistance, and Security Assistance Programs (ILP, MAP, SAP). The Assistance Programs include both Grant Aid and Foreign Military Sales. NAVILCO functions as the Navy's International Logistics focal point and interacts with Navy and DoD activities to provide required international logistics support to Allied Naval Forces. Acting as an intermediary between PICAs and higher authority in relation to an approved allied country request, NAVILCO determines price and materiel availability, distributes, and sometimes prepares, requisitions to the appropriate materiel manager. The activity also performs requisition, financial, and overall program control for the Navy's involvement in the ILP, MAP, and SAP.

(5) Navy Petroleum Office (NPO). NPO is the logistics point of contact between Navy users and the Defense Fuels Supply Center (DFSC) and Defense General Supply Center (DGSC) for assigned fuel and petroleum commodities. The activity is responsible for accumulating Navy user bulk fuel requirements

and providing this data to DFSC. NPO provides selected catalog data on Navy use packaged petroleum products to DGSC. NPO as the Navy fuel focal point and SICA reviews fuel specification modification and item standardization action initiated by DFSC to determine service impact. NPO provides technical guidance on petroleum matters to Navy users and exercises management direction over NAVSUP fuel facilities.

(6) Navy Stock Points

The Navy supply system's materiel receipt, storage, and distribution functions are performed by designated activities worldwide collectively referred to as "Navy Stock Points" (NSPs). The NSPs operate under several separate commands but in accordance with NAVSUP supply policies and procedures. Therefore, NSPs will be discussed as a group in association with NAVSUP. Receipt, storage, and distribution functions are excluded from this Study as indicated in Chapter I, however, stock points do perform wholesale materiel management functions (i.e., requisition processing, receipt, customer billing, and stock record maintenance, discrepancy and inventory adjustments). As agents for PICAs, NSPs also are assigned retail materiel management responsibilities.

Navy ships, aircraft squadrons, and support elements submit the majority of requisitions directly to the appropriate supporting stock point for Navy and other DoD-managed materiel. However, some Navy users are permitted to requisition directly on the PICA and Navy PICAs have designated selected items for which Navy users must submit requisitions directly to the assigned materiel manager.

"The stock point" complex is comprised of NSCs within CONUS and Hawaii and NSDs located at major overseas ports of call. Naval Shipyards (NSYs) and Naval and Marine Corps Air Stations (NASs/MCASs) have stock points collocated with and under the control of the activity's supply department to support their operating mission. The supply department at Naval Ammunition Depots, Naval Ordnance Stations, Naval Weapons Stations, Naval Submarine Bases, Naval Construction Battalion Centers, and Naval Air Facilities, also have designated "stock points" to support the activity's mission. To support the Navy logistics mission worldwide there are a total of 58 Navy "stock points" which act as agents for PICAs/SICAs (11 NSPs act as agents for both ASO and SPCC managed materiel, 13 NSPs act as agents for ASO managed

materiel and 33 NSPs act as agents for SPCC managed materiel). Some of these NSPs also are agents for DLA PICAs (this arrangement is amplified under DLA). There are more stock points; however, only those under daily Transaction Item Reporting (TIR) whose assets are managed by a PICA are included as ICAs. Others which report on a cyclic basis for budget stratification and excess distribution are not considered wholesale ICAs.

g. Navy Comptroller (NAVCOMPT). NAVCOMPT exercises direction and control over the Navy's Accounting and Finance Center; Navy Finance Center; and Navy Regional Finance Centers. The Navy Regional Finance Centers and Offices are NAVCOMPT field offices acting as ICAs to perform stock fund billing and payment of vendors for Navy PICAs. These field offices also perform an allotment accounting function.

h. Military Sealift Command (MSC)

MSC's mission is to provide ocean transportation for personnel and cargo to the DoD Components and other government agencies. The Command operates and maintains some underway replenishment ships and vessels which provide mobile logistics support to elements of the Navy's operational fleets worldwide. MSC also operates and maintains special project ships which perform missile tracking, cable laying, oceanographic mapping and research, and hydrographic research.

To support its ships, MSC performs PICA/SICA functions for the following materiel categories: machinery; electronic and safety at sea equipment; and major components peculiar and essential to support MSC configured ships.

The criteria for MSC materiel management are: items of such technical complexity that MSC engineering decisions must be made prior to issue; items must meet Coast Guard requirements; and insurance items that, if required and not on hand, would require lengthy procurement lead time.

The procurement function for MSC managed materiel is performed by the Naval Regional Procurement Office located in Washington, D.C. Procurement to satisfy emergency requirements is performed by Military Sealift Command Atlantic (MSCLANT) located in Norfolk, Virginia.

i. The Bureau of Medicine and Surgery (BUMED)

The Chief, BUMED, is tasked by CNO to provide worldwide medical and dental support to the Navy, Marine Corps, and Coast Guard.

The Chief, BUMED, reports directly to CNO. BUMED's organizational structure includes a major subordinate field activity, the Naval Medical Support Command, Philadelphia, PA. In relation to this study, BUMED Headquarters and the Naval Medical Material Support Command perform SICA functions for Navy medical materiel to include: requirements determinations; mobilization and contingency plans; requisition management; technical guidance and assistance; financial management and budget preparations; and procurement planning.

BUMED Headquarters conducts the Navy medical portion of the Defense Standardization Program, including maintenance of specification files. BUMED serves as Navy custodian for medical standardization documents not under the Defense Personnel Support Center for supply management. The Naval Medical Material Support Command develops provisioning lists of repair parts for shipboard medical and dental equipment in the operating forces.

j. The Naval Training and Equipment Center (NTEC)

The Naval Training and Equipment Center is a subordinate activity of the Director, Naval Education and Training. NTEC is tasked to support the Navy's operational readiness by improving the effectiveness of the Naval Training and Training Material Support Programs as follows: research, design, development, test and evaluation; procurement; fabrication, maintenance, alteration, conversion, repair and overhaul; logistics support of training devices, equipment and assigned training materiel. NTEC also provides support to other Military Services and government agencies.

NTEC performs as a PICA and SICA for assigned Navy materiel and develops systems and procedures in support of materiel management functions. NTEC computes worldwide Navy and Marine Corps activity allowances for end item training devices. The Center's Inventory Control System maintains serial number records for controlled end items in use and the location of each.

D. THE U.S. AIR FORCE

1. Responsibilities, Chain of Command, and General Organization

The Chief of Staff as the senior Air Force Officer, is directly responsible to the Secretary of the Air Force for the total performance of the Air Force. The Chief and his principal staff elements are located in the Washington, D.C. area.

The Deputy Chief of Staff, Systems and Logistics, is the principal Air Force Officer exercising staff cognizance on all matters pertaining to logistics and systems for the Chief of Staff, Department of the Air Force (DAF).

From a wholesale logistics management viewpoint, the U.S. Air Force is organized as shown in Figure III-3. The Air Force's wholesale logistics environment includes the Air Force's Logistics Command, Systems Command, Surgeon General, and Security Services.

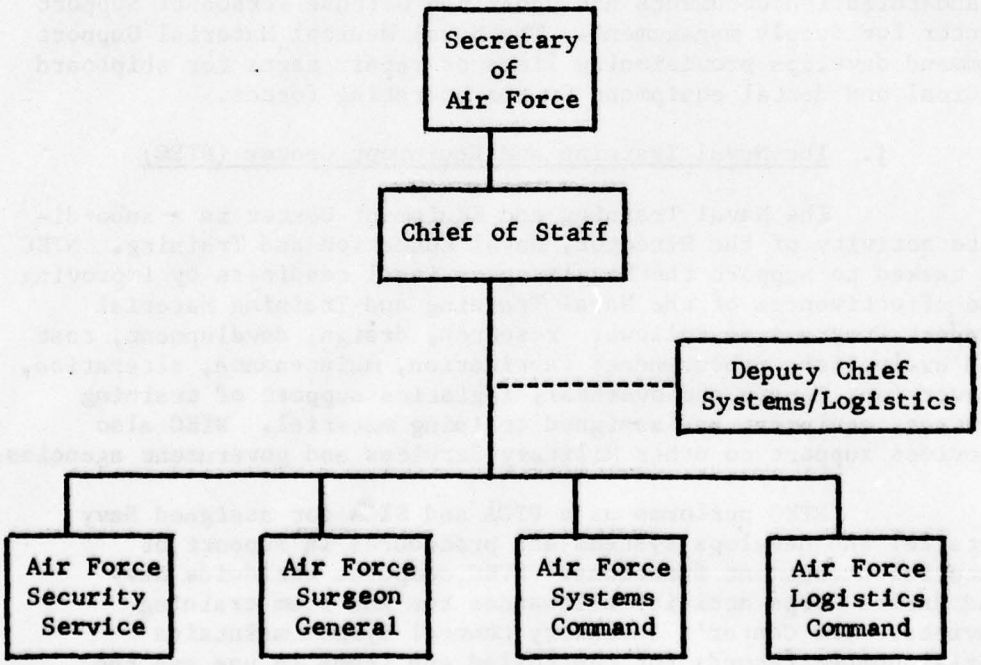


Figure III-3

2. Subordinate Logistics Commands and Activities

a. The Air Force Logistics Command

To support the operating and training forces of the Air Force worldwide, the Air Force has a separate logistical command, the Air Force Logistics Command (AFLC). AFLC is located at Wright Patterson Air Force Base, Dayton, Ohio, and organizationally is on a level with the Air Force Major Air Commands and the Air Force Systems Command. The Commanding General, AFLC, is tasked by the Chief of Staff to develop policies, procedures, concepts, and management techniques for organizational and intermediate level maintenance systems and to develop policies and procedures for materiel management, initial product support, and technical and engineering data to include related mechanized programs. AFLC Headquarters is also tasked as the Air Force stock fund manager and the central computer system design and program agency for the wholesale level. AFLC is responsible for industrial mobilization planning. The Headquarters supports systems acquisition in conjunction with the Air Force Systems Command and is responsible for Air Force involvement in the DoD International Logistics Program.

Five major subordinate Air Logistics Centers (ALCs) located throughout the CONUS assist AFLC Headquarters in accomplishing the assigned Air Force logistics support mission. They are:

Oklahoma City Air Logistics Center (OCALC)
Ogden Air Logistics Center (OOALC)
San Antonio Air Logistics Center (SAALC)
Warner Robins Air Logistics Center (WRALC)
Sacramento Air Logistics Center (SMALC)

The five ALCs are tasked by AFLC to perform logistics functions (e.g., materiel management, storage, distribution and maintenance to include depot repair and rebuild). The organizational elements responsible for performing these functions are collocated at each of the five ALCs.

The AFLC is currently centralizing most cataloging and standardization functions at a new Air Force operating location in Battle Creek, Michigan. Some residual tasks remain the responsibility of the Air Logistics Centers (Air Force PICA and SICA activities), however, most cataloging and standardization

functions will be performed for all Air Force assigned items by the new Air Force organization collocated with the Defense Logistics Services Center (DLSC).

b. The Air Force Systems Command

The Air Force Systems Command (AFSC) is primarily responsible for the Air Force weapon systems acquisition program. AFSC Headquarters is located at Andrews Air Force Base, Washington, D.C., and organizationally is on a level with AFLC and the major Air Commands. The Commanding General, AFSC, is tasked by the DAF to perform research and development, test and evaluation, procurement, production, and site activation.

The AFSC organizational structure depicts four divisions, each of which is responsible for a specific area of development.

The Space and Missile Systems Organization (SAMSO)
The Aeronautical Systems Division (ASD)
The Electronic Systems Division (ESD)
The Armament Development and Test Center (ADTC)

SAMSO is responsible for space systems, missile development and site activation. ASD is responsible for conventional aircraft development. ESD develops modern command and control systems compatible with other new weapon systems, and ADTC evolves the required ordnance mix for new weapon systems.

To coordinate the Air Force weapon system development effort, a System Program Office (SPO) is established for each major system program. The SPO normally is located within the AFSC's Division responsible for the system's development and is generally staffed with representatives from AFSC, AFLC, the Air Training Command and the Major Air Command scheduled to use the system under development.

The SPO is activated upon receipt of a DAF system management directive and remains operational through the entire acquisition and development phase. Generally, after the system is provided to a major Air Command's operational units and development engineering efforts have stabilized, the SPO's management function passes to the AFLC.

c. Other Commands Providing Logistics Support

Through weapon systems acquisition and research and development, AFSC provides the weapon systems for the Air Force to accomplish its mission. The AFLC and the subordinate ALCs provide the majority of wholesale logistics support to Air Force operational units worldwide. The U.S. Air Force Security Service (AFSS), the Surgeon General of the Air Force and the U.S. Air Force Services Office (AFSO) also perform wholesale materiel management functions in support of the operating forces.

The AFSS and the Surgeon General are separate commands which report to the Chief of Staff of the Air Force. The AFSO is a subordinate field support activity of AFLC.

There are also activities classified as ICAs which perform one or more materiel management functions in support of Air Force PICAs and SICAs. The ICAs are ALFC, AFSC and the Air Force Financial and Accounting Center, Denver, Colorado. Each is discussed in this chapter.

3. Primary and Secondary Inventory Control Assignments

The Air Force wholesale logistics community is comprised of nine organizations having item management assignments. Table III-3 shows the primary and secondary inventory control assignments for Air Force PICAs and SICAs.

Table III-3

AIR FORCE INVENTORY CONTROL POINTS
DESCENDING ORDER OF NSNs ASSIGNED

Activity	Primary Management			Secondary Management
	Consumables	Nonconsumables	Total	
San Antonio ALC	162,617	74,658	246,544[1]/	389,047
Warner Robins ALC	149,342	51,785	201,127	163,878
Sacramento ALC	87,265	43,067	130,332	394,730
Oklahoma City ALC	100,588	27,087	127,675	6,540
Ogden ALC	67,276	33,604	100,880	8,275
Cryptologic Depot	3,645	3,577	7,222	1,231
Logistics Command	0	12	12	94
Services Office	0	4	4	9,123
Surgeon General	0	0	0	13,295
Total	570,733	233,794	813,796[1]/	986,213

Source: IMSS-4 Report, 31 Dec 1975 and FCDNA for nuclear items.

1/ Includes 9,269 nuclear items not identified as consumable or nonconsumable.

Table III-3 indicates that the eight Air Force PICAs have primary assignment from four items to over 200,000 NSNs and secondary inventory control assignments ranging from less than 100 items to over 380,000 NSNs. The Surgeon General, a designated SICA, has an inventory control assignment for over 13,000 Air Force interest items.

4. Activities with PICA, SICA, and ICA Missions

AFLC has assigned primary and secondary materiel management responsibility for assigned NSNs and Air Force interest items to the subordinate ALCs, Headquarters elements, and the Air Force Service Office. The Chief of Staff of the Air Force has tasked the U.S. Air Force Security Service with both a primary and secondary materiel management responsibility and the Air Force Surgeon General a secondary responsibility in support of the operating forces.

The following discussion identifies organizations which perform PICA/SICA functions and non-ICP functions and identifies activities which act as ICAs.

a. Air Force Logistics Command

(1) AFLC as a PICA/SICA. The Headquarters Chaplain activity element is responsible for the management of the Air Force Chapel and Chaplain ecclesiastical materiel and supply program. To accomplish this assignment the Headquarters Chaplain performs PICA/SICA functions, e.g., materiel management worldwide; budgetary development; development and monitoring of equipment allowances; central procurement of selected items; requisition approval; distribution and disposal; and initiation and coordination of cataloging actions for Air Force assigned and interest items.

(2) AFLC as an ICA

AFLC Headquarters elements in addition to performing both PICA and SICA functions also are classified as ICAs. AFLC as the central wholesale system design agency is tasked to develop and maintain standard ICP application programs for ALCs. The AFLC also develops wholesale automated data processing (ADP) systems and is the Air Force focal point for ADP advanced technology to include the data element and codes standardization program.

Another AFLC Headquarters element acting as an ICA is the central catalog agent which provides cataloging support to all Air Force PICAs/SICAs and users. AFLC maintains the master catalog files and provides a support service to Air Force PICAs and SICAs in relation to the catalog program. Using the Stock Number User Directory System (SNUD), AFLC broadcasts catalog related information and data changes to Air Force users worldwide.

b. Air Logistics Centers

The five Air Logistics Centers (ALCs) have a multi-mission assignment with materiel management responsibilities for specific weapons systems and various commodity classes. Functions performed by each ALC in support of its mission include engineering; procurement and item management; storage and distribution; and maintenance, as well as related tasks such as technical data production and distribution.

The basic ALC organizational structure, prescribed by AFLC, is standard Air Force wide with the above listed functions all centrally located under one command to perform the assigned logistics mission.

Collectively, the ALCs are tasked to perform the whole range of PICA and SICA functions for assigned and Air Force interest items, e.g., inventory control of assigned commodity classes and weapon systems, procurement, technical, engineering and major weapon system management. The ALCs also perform tasks in support of materiel management, e.g., materiel modification and product improvement, cataloging and standardization, and value engineering.

The San Antonio ALC is also tasked with the ICP management of the Air Force nuclear ordnance program. SAALC also manages fuels, oils, chemicals, gases, and liquid propellants for missiles and provides logistics support to the National Aeronautics and Space Administration (NASA). The ALC also has a detachment located at Cameron Station, Alexandria, Virginia, which performs functions in support of the fuels mission. As an inventory control agent SAALC also performs some ICP functions for Field Command, Defense Nuclear Agency (FCDNA) managed items discussed in this Chapter under the Defense Nuclear Agency and for the Air Force Cryptologic Depot.

The majority of ALC organizational units and personnel perform non-ICP functions: storage, distribution, and maintenance operations. Generally, about 50% of the ALC personnel authorization is associated with the depot maintenance operation.

c. The U.S. Air Force Security Service

The AFSS mission is to monitor Air Force communications in all parts of the world to insure compliance with established communications security practices and procedures. AFSS units also occasionally conduct research in communication phenomena in support of various elements of the U.S. Government.

The AFSS reports to the Chief of Staff, DAF.

The AFSS Headquarters, located at Kelly Air Force Base, Texas, is responsible for and operates the collocated Air Force Cryptologic Depot (AFCD) which performs most of the inventory control functions. AFCD is both a PICA and SICA activity and the only wholesale logistics organization which provides specialized materiel support for Air Force Communications Security (COMSEC) and Signal Intelligence (SIGNIT). The AFCD performs a full range of materiel management functions in relation to AFSS assigned electronics intelligence and interest items.

d. The Surgeon General of the Air Force

The Surgeon General is directly responsible to the Chief of Staff, DAF, and is tasked to provide medical and dental support to Air Force operating forces worldwide.

The Surgeon General performs SICA functions for Air Force interest items, e.g., requirements determinations; mobilization requirements; requisition management; cataloging; budget preparations; and procurement.

e. The Air Force Services Office

The AFSO is a subordinate AFLC field support activity tasked to administer the Air Force-wide programs for food service, commissary and subsistence, organizational and personnel (uniform) clothing, and laundry and dry cleaning; serve as the central office of the commissary and clothing divisions of the Air Force stock fund; administer and provide financial support for each program; and serve as the materiel manager for the commodity classes applicable to each program.

As a designated PICA and SICA activity, AFSO performs both primary and secondary functions in relation to materiel management. AFSO is the focal point for its assigned commodities for Air Force users, the DLA Supply Centers, and the GSA.

f. The Air Force Systems Command (AFSC) as an ICA. The four AFSC divisions ASD, ESD, SAMSO, and ADTC, in addition to the primary acquisition and research development mission also act in the capacity as an ICA in relation to procurement. ASD, ESD, SAMSO, and ADTC as ICAs procure all major Air Force weapon systems that make up the missile and aircraft inventory. They also procure all engines including life of type engine procurement managed by the ALCs.

g. The Air Force Finance and Accounting Center. The Finance and Accounting Center exercises surveillance over the Air Force accounting and finance systems. The Center also develops, tests, implements, and recommends revisions to existing accounting and financial systems to Headquarters USAF. As an ICA, the Center performs the international logistics billing function for the Air Force.

E. THE U.S. MARINE CORPS

1. Responsibilities, Chain of Command, and General Organization

The Commandant of the Marine Corps (CMC), as the senior officer, is directly responsible to the Secretary of the Navy for the total performance of the Corps. The CMC and his principal staff elements are located in the Washington, D.C. area.

The Deputy Chief of Staff for Installations and Logistics (DCSI&L) is the principal Marine Corps staff officer exercising staff cognizance on all matters pertaining to logistics for CMC.

From a wholesale logistics management viewpoint, the U.S. Marine Corps is organized as shown in Figure III-4.

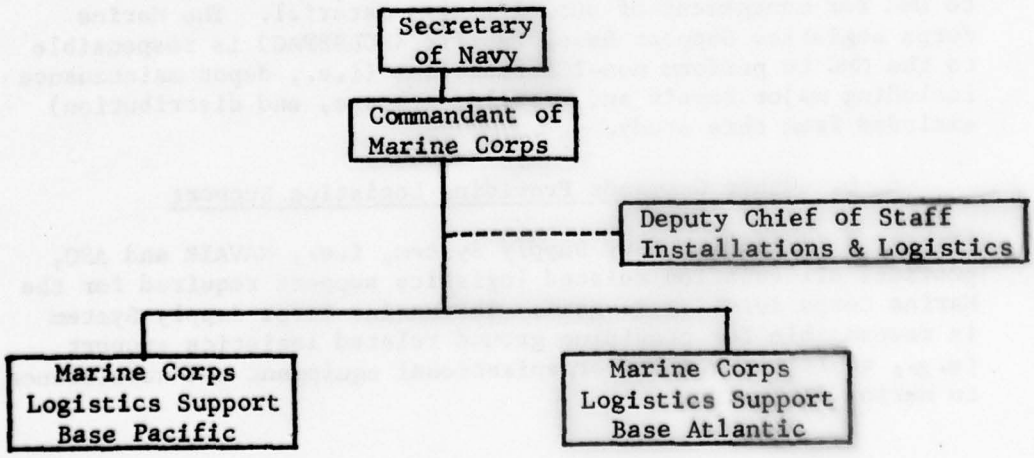


Figure III-4

2. Subordinate Logistics Commands and Activities

a. The Marine Corps Supply System

To support Marine Corps forces worldwide, the Marine Corps has its own supply system. The mission of the Marine Corps Supply System is to provide and manage those items necessary for the equipment, maintenance, and operation of the Fleet Marine Forces (operational forces), supporting establishments (camps and bases) and the Marine Corps Reserve.

The Marine Corps Supply System consists of three essential activity elements: Marine Corps Headquarters (DCSI&L); the in-stores functional elements; and the out of stores functional elements. The term in-stores refers to items (secondary consumable and nonconsumable, reparable and principal end items) managed and controlled within the wholesale logistics environment. The term out of stores refers to materiel managed and controlled in the retail logistics environment or materiel in the hands of using organizations.

The Marine Corps Supply System is controlled by the CMC and extends from Headquarters Marine Corps (HQMC) to the user. The HQMC (DCSI&L) is responsible for developing concepts and policies and for providing guidance to all levels within the supply system including the user.

HQMC and the Marine Corps Logistics Support Base Atlantic (MCSLBLANT) are responsible for the integrated and component materiel management of assigned Marine Corps items and interest items referred to as in-stores materiel. Marine Corps intermediate logistics activities and the user are responsible to CMC for management of out of stores materiel. The Marine Corps Logistics Support Base, Pacific (MCLSBPAC) is responsible to the CMC to perform non-ICP functions (i.e., depot maintenance including major repair and rebuild, storage, and distribution) excluded from this study.

b. Other Commands Providing Logistics Support

The U.S. Navy Supply System, i.e., NAVAIR and ASO, provides all aviation related logistics support required for the Marine Corps Aviation Program. The Marine Corps Supply System is responsible for providing ground related logistics support (e.g., vehicles, weapons organizational equipment and subsistence) to Marine air units.

The Surgeon General of the Navy (BUMED) is responsible for providing to the Marine Corps all medical and dental support to include personnel, equipment and materiel.

3. Primary and Secondary Inventory Control Assignments

The Marine Corps has two elements, HQMC (DCSI&L) and the Marine Corps Logistics Support Base Atlantic (MCSLBLANT), engaged in performing the ICP functions.

Table III-4 shows the primary and secondary inventory control assignments for the Marine Corps PICAs and SICAs.

Table III-4

MARINE CORPS INVENTORY CONTROL POINTS
DESCENDING ORDER OF NSNs ASSIGNED

Activity	Primary Management			Secondary Management
	Consumables	Nonconsumables	Total	
Logistics Support Base Atlantic	31,122	8,591	39,713	266,113
Headquarters	0	1,406	1,406	1,567
Total	31,122	9,997	41,119	267,680

Source: IMSS-4 Report, 31 December 1975

4. Activities with PICA, SICA and ICA Missions

a. *Headquarters Marine Corps (DCSI&L)*

HQMC (DCSI&L) is primarily tasked to exercise overall management direction and control of the Marine Corps logistics system. The DCSI&L also performs PICA/SICA materiel management functions within the Headquarters in relation to principal end items (PEIs). The PEI management responsibility has been retained at HQMC because of combat essentiality, cost of end items, and the direct interface with research, development, and depot maintenance to include repair and rebuild planning functions vested solely in the HQMC.

Although the DCSI&L has the overall responsibility for the PEI acquisition, the majority of PEIs utilized within the Marine Corps are also managed by other Military Services. These PEIs have been adopted, some with minor modifications, by CMC. Therefore, the actual procurement function in relation to PEIs is accomplished in two different ways. HQMC procures directly from the contractor peculiar end items to be managed by the Marine Corps. In addition, HQMC prepares and submits Military Interdepartmental Purchase Requests (MIPRs) for end items to be centrally procured by another Service/Agency. The Headquarters manages and administers CMC contracts until final delivery has been made and payment effected.

The Marine Corps Logistics Support Base Atlantic is tasked by DCSI&L to perform the provisioning to support the PEI program to include development of range and depth of support items, procurement of support items, and continued Marine Corps-wide supply support during the operational life cycle of the end item.

HQMC performs other materiel management functions, e.g., systems management, configuration management, program/product management, and the determination of allowances of Marine Corps equipment.

b. Marine Corps Logistics Support Base, Atlantic

The MCLSBLANT, located at Albany, Georgia, is an integrated command responsible for inventory control and procurement functions, depot maintenance functions to include major repair and rebuild, and the depot storage function.

MCLSBLANT is the host activity at Albany and provides all required support services incident to the ICP, storage, and depot maintenance operations.

The activity is both a PICA and SICA. It exercises the full range of materiel management and procurement functions for assigned Marine Corps items and performs SICA functions in relation to Marine Corps interest NSNs. MCLSBLANT performs centrally, for the ICP operation and Headquarters, Marine Corps, all tasks incident to Technical Data Management to include the cataloging and provisioning function. As an ICA MCLSBLANT maintains stock records and worldwide asset data for HQMC managed items (PEIs) and provides headquarters managers with stock status data required to support Marine Corps operational forces worldwide.

MCLSBLANT as a SICA serves as the Marine Corps focal point and service secondary manager for secondary consumable and nonconsumable interest items. In this role, the MCLSBLANT provides information to other Services, DLA, and GSA concerning Marine Corps requirements, items technical specifications, and acceptability of proposed substitutes.

F. DEFENSE LOGISTICS AGENCY (DLA)

1. Responsibilities, Chain of Command, and General Organization

The Director, as the senior military officer, is directly responsible to the Secretary of Defense for the total performance of DLA. The Director, DLA, and his principal staff elements are located in the Washington, D.C. area.

Figure III-5 illustrates DLA organizational elements which can be categorized as performing PICA, SICA, and ICA tasks.

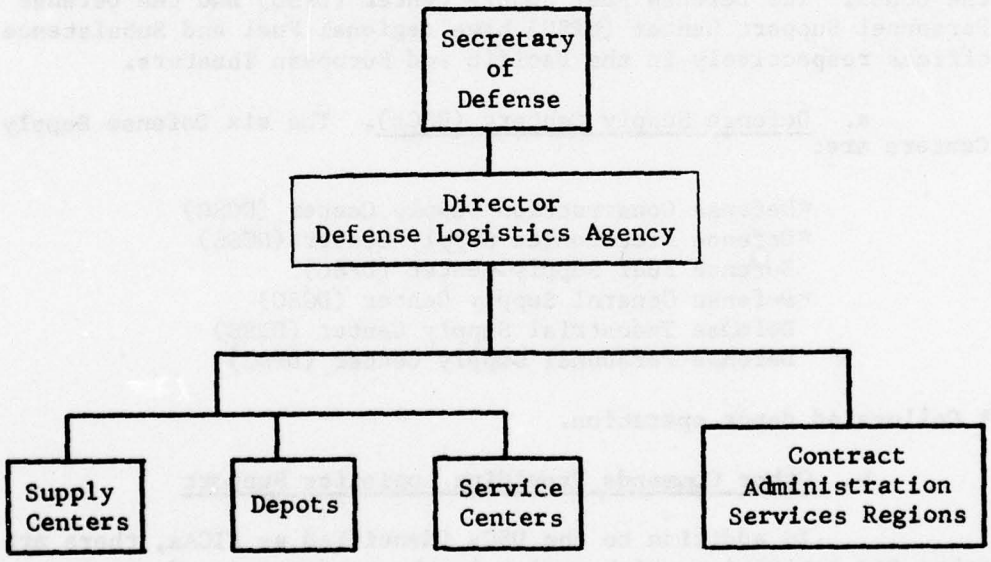


Figure III-5

2. Subordinate Logistics Commands and Activities

DLA is tasked by the Secretary of Defense to provide Supply Support, Contract Administration and Logistics Services to the Military Services and Federal Agencies within the U.S. Government. DLA is responsible for procurement, storage, and distribution of consumable secondary items used by the Military Services and Federal Agencies. The Agency provides the complete range of contract administration services for DoD components, other Federal Agencies and to Foreign Governments when requested. Additionally, DLA supports the Military Departments by providing the following logistics services: Federal Catalog System, Materiel Utilization Program, Research and Technology Systems, Surplus Property Disposal Program, and the Standardization Program.

To assist DLA in accomplishing its assigned logistics mission are Supply Centers, Service Centers, Defense Contract Administration Services Regions and Depots located throughout the CONUS. The Defense Fuel Supply Center (DFSC) and the Defense Personnel Support Center (DPSC) have regional Fuel and Subsistence offices respectively in the Pacific and European Theaters.

a. Defense Supply Centers (DSCs). The six Defense Supply Centers are:

*Defense Construction Supply Center (DCSC)
*Defense Electronics Supply Center (DESC)
Defense Fuel Supply Center (DFSC)
*Defense General Supply Center (DGSC)
Defense Industrial Supply Center (DISC)
Defense Personnel Supply Center (DPSC)

* Collocated depot operation.

b. Other Commands Providing Logistics Support

In addition to the DSCs identified as PICAs, there are other DLA activities which assist in the performance of one or more ICP functions. The DLA activities listed below are ICAs and each is discussed in this chapter.

Defense Logistics Services Center (DLSC)
Defense Automatic Addressing Systems Office (DAASO)
DSA Data Systems Automation Office (DSAO)

Specialized Support Depots (SSDs)
Direct Supply Support Points (DSSPs)
DLA Defense Administrative Support Center (DASC)

DLA also operates four principal distribution depots which are outside the scope of this Study.

3. Primary and Secondary Inventory Control Assignments

DLA has six wholesale logistics organizations having item management assignments. Table III-5 shows the primary and secondary inventory control assignments for DLA PICAs and SICAs.

Table III-5

DLA INVENTORY CONTROL POINTS
DESCENDING ORDER OF NSNs ASSIGNED

Activity	Primary Management			Secondary Management
	Consumables	Nonconsumables	Total	
Electronics Supply Center	696,003	0	696,003	0
Industrial Supply Center	582,357	0	582,357	2,766
Construction Supply Center	350,243	0	350,243	0
General Supply Center	211,460	0	211,460	0
Personnel Support Center	40,945	0	40,945	0
Fuel Supply Center	122	0	122	0
Total	1,881,130	0	1,881,130	2,766

Source: IMSS-4 Report, 31 December 1975

Table III-5 indicates that the six DLA PICAs have primary assignments ranging from about 100 to over 650,000 NSNs and the one DLA SICA has a secondary assignment for over 2,500 items.

4. Activities with PICA, SICA, and ICA Missions. The Director, DLA has assigned primary and secondary materiel management responsibilities for DLA managed and interest items to the DSCs. The following discussion identifies organizations which perform PICA and SICA functions and the organizations classified as ICAs which support materiel management functions performed by DLA and other DoD PICAs and SICAs.

a. The Defense Supply Centers (DSCs)

(1) "Hardware Centers"

The four DSCs referred to as "hardware centers," i.e., DCSC, DESC, DGSC, and DISC, have a basic mission to perform the full range of PICA management functions for DLA assigned commodities. These functions include procurement, inventory control, financial management, technical, distribution direction and disposal direction. DISC also performs a secondary materiel management role in relation to DLA interest items used in support of DLA depot operations.

The four "hardware centers" have a standard organization prescribed by DLA Headquarters. Materiel management functions are performed in the Directorate of Supply Operations and the Directorate of Technical Operations. Procurement functions are performed in the Directorate of Procurement and Production.

All DSCs administer the DLA portion of the DoD Standardization Program for FSCs assigned. In addition to the technical supply standardization functions, DESC and DISC perform engineering standardization functions and serve as the Military Parts Control Advisory Group for the DoD parts control system and advise the Military Services on the selection and use of standard component parts. To accomplish the Engineering Standardization function, DESC and DISC provide engineering personnel who participate in or preside at Joint Industry and Military Standardization Meetings on technical matters.

DCSC, DESC, and DGSC, perform a storage mission and are classified as Principal Distribution Depots. DCSC's storage mission includes providing storage and warehousing services to the Defense Civil Preparedness Agency (DCPA) for emergency equipment and to GSA for the Strategic and Critical Materials Program. DCSC also performs a maintenance mission for Industrial Plant Equipment (IPE).

In addition to its DLA responsibilities, DGSC also performs materiel management functions for DCPAs Emergency Equipment and Radiological Defense Storage and Distribution Systems, and performs secondary cataloging tasks for the Defense Intelligence Agency (DIA).

(2) Defense Fuels Supply Center (DFSC)

DFSC performs the full range of PICA functions for assigned fuels in worldwide support of DoD and Government agencies. DFSC functions performed in support of the PICA management mission include procurement, technical data support, standardization, cataloging, value engineering, engineering and quality assurance. DFSC is responsible for the coordinated procurement of packaged petroleum managed by DGSC and DFSC performs Contract Administration functions in the overseas theaters. DFSC coordinates with the major theater commands, Military Services, and the Military Sealift Command on tanker distribution of bulk fuels. DFSC also administers the DoD import allocation of petroleum products.

The DFSC organization is comprised of activities in the CONUS and overseas theaters. DFSC has five Defense Fuel Regions in the Continental United States, one in Alaska, one in Europe, and one in the Pacific. Also, DFSC has Defense Fuel Quality Assurance Offices, in the Middle East and in the Caribbean. DFSC quality assurance personnel are located in Europe, the Caribbean, and in the Pacific.

The overseas Defense Fuel Regions (DFRs) are responsible for: contract administration of DFSC contracts to supply petroleum products and services in assigned geographical areas; representing the Commander, DFSC, with the applicable Unified and Component Commanders on matters relating to the integrated management of petroleum products and services; and exercising command and control over all subordinate DFSC activities established within the assigned geographical area. CONUS Regions function similarly to the overseas DFRs except that Quality Assurance of contracts for CONUS Regions is accomplished by the Defense Contract Administration Service.

Approximately 132 Defense Fuels Support Points (DFSPs) throughout the world function as terminals for the receipt and distribution of bulk petroleum products. DFSPs prepare monthly detailed bulk petroleum terminal transaction reports which are forwarded to DFSC. Of the 132 DFSPs, 108 process customer requisitions on site and are therefore performing ICA functions for DFSC. Of the 132 DFSPs, 58 are field activities of DFSC or contractors. The remaining 74 DFSPs are activities of the Military Services.

DFSC Headquarters is located in the Washington, D.C. area. DFSC receives administrative support from the Defense Administrative Support Center. This support includes personnel, administration, payroll, financial, automated data processing, security and mail.

(3) Defense Personnel Support Center (DPSC)

DPSC performs the full range of PICA functions for assigned subsistence, clothing, textiles, and medical materiel managed in support of DoD and Government agencies. DPSC functions in support of the PICA management mission include procurement, technical data support, standardization, cataloging, and quality assurance.

DPSC deviates from the standard DSC organization by having Subsistence, Clothing and Textiles, and Medical Directorates instead of functional Directorates for Procurement and Production, Technical and Supply Operations.

The DPSC Subsistence Directorate includes field activity elements both in CONUS and the overseas theaters which perform as ICAs. The CONUS subsistence mission is accomplished through 24 Defense Subsistence Offices (DSOs) located throughout the country. DPSC procures subsistence for DoD, Defense Security Assistance Programs, Veterans Administration, Public Health Service Hospitals and other Federal Agencies. DPSC has two Defense Subsistence Regions (DSRs), located in Europe and the Pacific.

The DSR Europe (DSRE) mission is wholesale procurement and materiel management for all assigned subsistence items, liaison with the Unified and Component Commanders, and customer services. The purchasing division, DSRE HQ, directs procurement of perishable subsistence, fresh fruits, fresh vegetables, meat and dairy products, which is accomplished by the Defense Subsistence Purchasing Office (DSPOs) and the Defense Subsistence Offices (DSOs) in the European theater. In addition to the perishable procurement assignment, the DSOs also perform a cold storage mission and process customer requisitions. The DSPOs do not have a cold storage mission.

The DSR Pacific mission is similar to that of DSR Europe except that Pacific DSOs do not buy perishable items or operate cold storage plants.

In addition to the PICA management functions performed to support the DLA clothing and textile mission, DPSC also performs non-ICP functions, i.e., manufacturing and test and evaluation. The Directorate of Manufacturing operates a clothing manufacturing facility producing about four percent of the generally difficult to obtain or nonstandard size items.

DPSC's clothing textile laboratory performs test and evaluation to insure the quality and contract compliance of procured clothing and textiles.

DPSC's Medical Directorate develops specifications for medical materiel, a function performed by the Military Services for other DLA commodities. As a non-ICP function, the Medical Directorate tests and evaluates medical materiel for suitability and use by the Military Services and Governmental Agencies.

b. Inventory Control Agents (ICAs). In addition to the DSCs there are other logistics organizations which perform one or more logistics functions in support of the DLA and other DoD PICA missions.

(1) Defense Logistics Services Center (DLSC). DLSC administers the Federal Catalog System which provides logistic data, item identification and related supply management intelligence services used by customers to design, purchase, stock, store, transport, issue, and transfer government supplies. DLSC customers include the Military Services, other DoD activities, other Federal agencies, a number of foreign governments, and industry. DLSC also is responsible for management of the new Defense Integrated Data System. As a non-ICP function, DLSC administers the Defense Retail Interservice Support (DRIS) Program which includes worldwide receipt and review of retail Interservice Support Agreements for inclusion in the master DoD DRIS data bank.

(2) Defense Automatic Addressing System Office (DAASO)

DAASO is a field extension office of DLA Headquarters. DAASO supports the DoD logistics community and GSA worldwide. DAASO receives, processes and routes Military Standard Requisitioning and Issue Procedures (MILSTRIP) documents between the customer and the designated source for the materiel requested. DAASO receives requisitions via Automatic Digital Network (AUTODIN), mail, and message. For requisitions received via mail and message, DAASO reformats the request and retransmits the data via AUTODIN to the appropriate source. DAASO also routes Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) and billing documents.

DAASO performs centrally all systems design development, programming, and testing and record maintenance for DAAS. DAASO is also the central data collection point for Military Supply and Transportation Evaluation Procedures (MILSTEP).

DAASO has computerized facilities at Dayton, Ohio, and at the Defense Depot Tracy, California.

(3) DLA Data Systems Automation Office (DSAO). DSAO is a field extension office of DLA Headquarters. DSAO is responsible for providing common support for developing, programming, testing, implementing, and maintaining Multiple Activity Automated Data Systems (MAADS) in support of materiel and depot management functions performed at DLA field activities.

(4) Specialized Support Depots (SSDs). The DLA materiel distribution system utilizes SSDs located at and operated by two Naval Supply Centers at Norfolk, Virginia, and Oakland, California. Norfolk and Oakland stock a wide range of DLA items but serve a limited clientele, e.g., military installations located within a 35 mile limit and Navy Fleet and overseas requisitioners. As ICAs, the SSDs receive and process requisitions for five Defense Supply Centers.

(5) Direct Supply Support Points (DSSPs). The DLA materiel distribution system also includes seven DSSPs, which are Navy Supply Centers, maintenance facilities, and recruit processing centers that use large volumes of DLA commodities. DLA owned stocks are received and positioned directly at the DSSP. As ICAs, the seven DSSPs receive and process requisitions, and issue materiel directly to the customers.

(6) DLA Defense Administrative Support Center (DASC). Collocated with DLA Headquarters, DASC provides general administrative support to DLA activities in the Washington Metropolitan area. The support includes such general services as finance and accounting; communications, mail distribution, printing and publications; travel and local transportation; graphic, photographic, and audio visual services; automated data processing; civilian personnel management and security. DASC also provides disbursing functions for the bulk petroleum procured worldwide by the DFSC.

G. DEFENSE NUCLEAR AGENCY (DNA)

1. Responsibilities, Chain of Command and General Organization

The Director, DNA, is directly responsible to the Secretary of Defense through the Joint Chiefs of Staff (JCS) for the total performance of the Agency. The Director and his principal staff elements are located in the Washington, D.C. area.

DNA is organized as shown in Figure III-6.

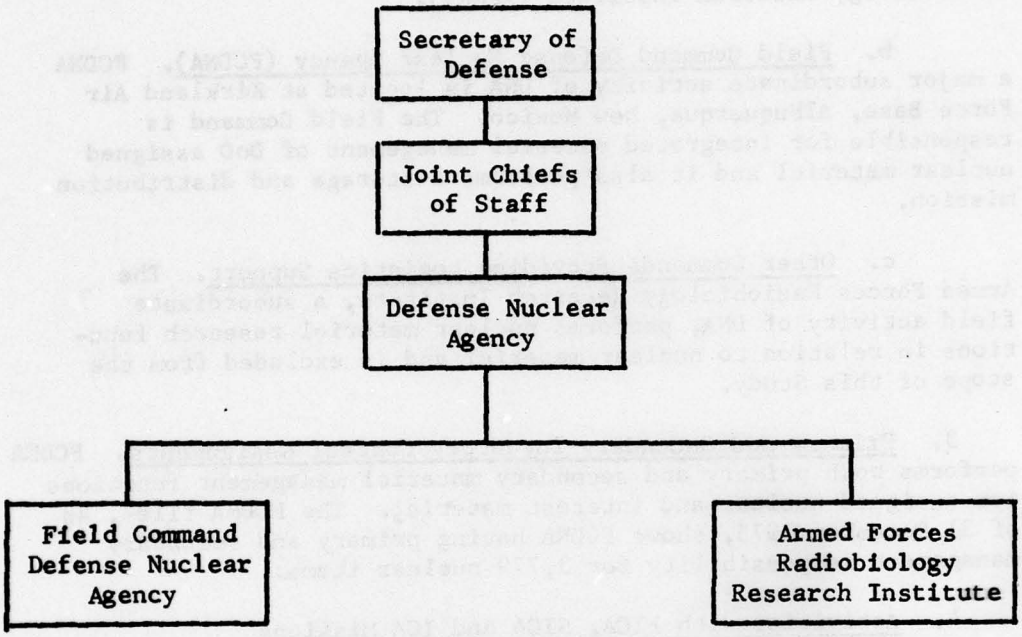


Figure III-6

2. Subordinate Logistics Commands and Activities

a. Defense Nuclear Agency Headquarters

DNA is tasked by the Secretary of Defense for consolidated management and direction for DoD nuclear weapons and test programs. DNA maintains overall surveillance and provides guidance, coordination, advice or assistance for all nuclear weapons in DoD custody, including production, composition, allocation, deployment, movement, storage, maintenance, quality assurance and reliability assessment, reporting procedures and retirement. DNA acts as the central coordinating agency for DoD with the Energy Resources Development Agency (ERDA) on nuclear weapon stockpile management, nuclear weapon testing, and nuclear weapons effects research within approved policies and programs and in consonance with the statutory provisions for the Military Liaison Committee (MLC) and pertinent DoD and ERDA agreements. DNA provides nuclear weapon stockpile information to the JCS and nuclear warhead logistics information to authorized DoD organizations.

Two major field activities assist the Director, DNA: Field Command Defense Nuclear Agency (FCDNA) and the Armed Forces Radiobiology Research Institute (AFRRI).

b. Field Command Defense Nuclear Agency (FCDNA). FCDNA a major subordinate activity of DNA is located at Kirkland Air Force Base, Albuquerque, New Mexico. The Field Command is responsible for integrated materiel management of DoD assigned nuclear materiel and it also performs a storage and distribution mission.

c. Other Commands Providing Logistics Support. The Armed Forces Radiobiology Research Institute, a subordinate field activity of DNA, performs nuclear materiel research functions in relation to nuclear materiel and is excluded from the scope of this Study.

3. Primary and Secondary Inventory Control Assignments. FCDNA performs both primary and secondary materiel management functions for assigned nuclear and interest materiel. The FCDNA files, as of 31 December 1975, shows FCDNA having primary and secondary management responsibility for 3,779 nuclear items.

4. Activities with PICA, SICA and ICA Missions

The Energy, Research and Development Agency (ERDA) performs the procurement function for all ERDA controlled nuclear materiel and nuclear weapons. The FCDNA and Military Services are involved in the inventory control functions for two groups of items referred to as Base Spares and Military Spares. Base Spares are repair parts used to support war reserve weapons. Military Spares are repair parts used to maintain training weapons and test and handling equipment. ERDA budgets for and owns Base Spares. The Services budget for and own Military Spares.

FCDNA performs PICA/SICA functions for DNA assigned and interest items in support of the U.S. Nuclear Weapons Programs. These functions include item management, cataloging, technical support, standardization and provisioning. FCDNA also has a significant ICA role. FCDNA prepares and forwards MIPRs to ERDA for FCDNA and Service required materiel and is involved in monitoring nuclear contracts.

FCDNA performs the primary inventory control functions except procurement for Base Spares. FCDNA pushes the materiel to the Military Services for storage. The Military Services Activities, i.e., Army--ARMCOM, Navy--SPCC, and Air Force--SAALC, acting as ICAs perform the stock control and requisition processing functions for FCDNA. The Military Services update the FCDNA inventory control file by daily transaction reporting. FCDNA also is involved in the SICA function for Base Spares in conjunction with ERDA and the Military Services and participates with the Services in the provisioning of Military Spares.

The Nuclear Ordnance Cataloging Office (NOCO) a FCDNA activity element acts as a DLSC Agent in performing central Cataloging functions. NOCO is the single submitter for all nuclear items, maintains a central catalog data bank, prepares and distributes catalogs, Management Lists (MLs) and Identification Lists (ILs), for nuclear items. FCDNA also operates the Defense Nuclear Agency Cataloging Activity (DNACA) which is responsible for introducing all ERDA controlled Base and Military Spares into the Federal Cataloging System. DNACA prepares item identifications for all ERDA controlled items. The Military Services perform the normal cataloging functions for non-ERDA controlled Military Spares and submit catalog actions to NOCO.

In addition to the PICA/SICA functions, FCDNA also performs many non-ICP functions, e.g., storage, distribution, geographical location of all nuclear weapons, and quality assurance.

H. NATIONAL SECURITY AGENCY (NSA)

1. Responsibilities, Chain of Command, and General Organization.

The Director is directly responsible to the Secretary of Defense for total performance of the Agency. The Director and his principal staff elements are located at Fort George G. Meade, Maryland.

2. Subordinate Logistics Commands and Activities

NSA was established in 1952 as a separately organized agency within the DoD. In 1972 the Central Security Service (CSS) was established as an adjunct to NSA to provide a unified DoD cryptological organization. The Director, NSA, was appointed at that time with the joint title of Chief of the CSS.

NSA has a security mission and an intelligence information mission. To accomplish these missions, the Director, NSA, has been assigned the following responsibilities:

Prescribing certain security principles, doctrines, and procedures for the U.S. Government;

Organizing, operating, and managing certain activities and facilities for the production of intelligence information;

Organizing and coordinating the research and engineering activities of the U.S. Government which are in support of the Agency's assigned functions; and

Regulating certain communications in support of Agency missions.

NSA has no field support activity and NSA/CSS logistics management functions are performed centrally.

3. Primary and Secondary Inventory Control Assignments. NSA is assigned both primary and secondary materiel management responsibilities. The Item Management Statistical Series-4 (IMSS-4) Report, 31 December 1975, shows NSA as a PICA for 157 consumable items and 935 nonconsumable items for a total of 1,092 NSNs. NSA also has SICA responsibilities for 12,534 NSNs.

4. Activities with PICA, SICA, and ICA Missions. NSA logistics mission encompasses materiel management of items unique to cryptologic applications and under the design and/or centralized procurement cognizance of NSA irrespective of inventory control or supply support responsibilities within the Military Services. NSA performs PICA/SICA functions for a limited group of signal intelligence, communications security and cryptological materiel which are used by NSA and the Military Services security and cryptological activities. DLSC records NSA as responsible for the primary management of both nonconsumable and consumables. In addition to PICA/SICA management functions performed, NSA provides technical guidance and procurement support to Military Services security and cryptological materiel control activities, i.e., the Air Force Security Service and Cryptologic Depot, Army Security Agency, and the Naval Security Group.

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I. SUMMARY AND CONCLUSIONS

Wholesale Inventory Control and Procurement functions are performed by a wide range of activities throughout DoD. Over 280 activities have been identified as performing ICP functions. The size, mission, and organization of these activities vary greatly within Components as well as among Components.

1. Size of the Community and the Activities

A total of 42 activities have primary management assignments for National Stock Numbered (NSN) items. These activities are referred to as Primary Inventory Control Activities (PICAs). Most PICAs also have Secondary Inventory Control Activity (SICA) responsibilities for a different range of items. Another nine activities are assigned SICA responsibilities without PICA responsibilities. These SICAs are distributed as follows: Army 3, Navy 4, Air Force 1, and other DoD 1.

Table III-6 shows the distribution of PICAs by Component and by size based on the number of NSNs assigned. Information on the number of items managed without NSNs was not obtained for all activities; however, it is known that approximately 23,000 items are managed by the Navy without NSNs. The number of items assigned to a PICA ranges from a low of four NSNs to a high of 696,000 NSNs. Ten of the 42 PICAs are each assigned less than 1,000 NSNs. The majority of activities (23) have less than 10,000 NSNs assigned. In contrast, eight activities have over 150,000 NSNs assigned. The Navy has 15 activities including five joint government-contractor operated ICPs which perform primary inventory control functions. Thirteen of these activities have less than 10,000 NSNs.

Table III-6

DISTRIBUTION OF PICAs BY COMPONENT AND SIZE

Components	Number of NSNs Assigned							
	1-99	100-999	1,000-4,999	5,000-9,999	10,000-49,000	50,000-149,000	150,000+	Total PICAs
Army	-	-	1	1	3	3	-	8
Navy 1/	-	6	6	1	-	-	2	15
Air Force	2	-	-	1	-	3	2	8
Marine Corps	-	-	1	-	1	-	-	2
DLA	-	1	-	-	1	-	4	6
Other DoD 2/	1	-	2	-	-	-	-	3
Total	3	7	10	3	5	6	8	42

Source: IMSS-4 Report, 31 December 1975

1/ Includes 5 Contractor Operated ICPs.

2/ Includes Field Command Defense Nuclear Agency (FCDNA), National Security Agency (NSA), and Defense General Supply Center-Civil Defense.

Nineteen PICAs with over 10,000 NSNs manage almost 99% of the assigned NSNs. The ten activities with fewer than 1,000 NSNs manage less than 1/10 of 1% of the NSN items.

There are 45 activities identified as SICAs. The Navy has assigned FMSO with overall responsibility as the SICA for all Navy interest items. Most of the PICAs also have secondary inventory control responsibilities. The distribution of SICAs among the Components is as follows:

Component	Number of SICAs	With Primary Assignments	Without Primary Assignments
Army	11	8	3
Navy	19	15	4
Air Force	9	8	1
Marine Corps	2	2	0
DLA	1	1	0
Other DoD	3 1/	2	1
Total	45	36	9

1/ Includes FCDNA, NSA, and DGSC-DIA (SICA responsibilities only).

The most numerous type of activity is the Inventory Control Agent which assists the PICAs/SICAs in the performance of inventory control functions. The distribution of these supporting activities among the Components is as follows:

Component	Number of ICAs	With PICA and/or SICA Assignments	ICA Assignments Only
Army	25	1	24
Navy	109	6	103
Air Force	11	6	5
Marine Corps	1	1	0
DLA	102	1	101
Other DoD	2	2	0
Total	250	17	233

Approximately 85% of the 245 ICAs are Navy or DLA activities. Over half of the 245 DoD ICAs support the DLA PICAs performing the worldwide management of fuels and subsistence.

Thus, the total wholesale materiel management for DoD is distributed among 284 different activities. This total does not include the several logistics headquarters which oversee these operations except where the headquarters also perform ICP functions.

2. Variations in Missions of Activities

The missions of the many activities involved in wholesale materiel management are as varied as their size. These variations include differences in the extent and kind of non-ICP functions assigned as well as differences in the degree of responsibility for ICP functions.

The Army Commodity Commands generally are responsible for RDT&E, maintenance policy, and project management as well as the full range of ICP functions. Frequently, the RDT&E and maintenance functions overshadow the ICP functions in numbers of personnel. The Army is in the process of a reorganization leading to eventual separation of RDT&E into separate activities. Since the exact mission of the development commands is not known, their involvement in ICP functions is yet to be determined. All Army PICAs now have secondary inventory control assignments ranging from less than 100 to over 200,000 NSNs. In addition to the Army Commodity Commands identified as PICA/SICA activities, the Army Security Agency Materiel Command and the Communication Security Logistics Agency perform the full range of PICA and SICA functions. The Army Medical Corps (Surgeon General) performs the full range of SICA functions. The Army support activities are comprised of a Central Catalog Data Agency, International Logistics Comma[illegible] Major Items Data Agency, and Automated Logistics Management [illegible]s Agency. MIDA also provides support to the Army non-ICP i[illegible]ns such as data collection and dissemination of this data for depot maintenance work loading. ALMSA performs centralized ICP computer systems design and programming for DARCOM's commodity commands identified as PICAs.

The Navy "Hardware Systems Commands" are responsible for RDT&E and maintenance functions performed primarily within subordinate support activities. The "Hardware Systems Commands," in addition to their primary R&D mission, also perform inventory control functions including procurement. They retain much responsibility for technical decisions for items transferred to other Navy and DLA ICPs. Conversely, the cataloging function is performed for the HSCs by ASO and SPCC. ASO and SPCC missions include almost exclusively ICP responsibilities both as PICAs and SICAs. The mission of the five joint government-contractor operated ICPs under SSPO includes the full range of PICA functions except cataloging and is limited to items peculiar to FBM support.

NAVSEA, a HSC, has two subordinate activities, Naval Ship Engineering Center and Naval Mine Engineering Facility, which perform PICA and SICA functions. NAVFAC has a subordinate activity, Civil Engineer Support Office (CESO) which performs PICA and SICA functions.

MSC and NTEC are commands outside of the CNM chain of command which have primary and/or secondary inventory control responsibilities. The Navy Stock Points generally are the initial point of entry for requisitions for most Navy ICPs and as such maintain accountable stock records and process inventory adjustments.

Navy support activities include FMSO which performs as a central service catalog agency, a central computer systems design and programming element for ASO and SPCC, and an International Logistics Control Office. FMSO and NAVILCO are NAVSUP major subordinate activities. BUMED (Surgeon General) and the Medical Materiel Support Command are outside of the CNM chain of command; both have secondary inventory control responsibilities. A subordinate command of NAVSUP, NPO, is identified as the Navy fuel focal point performing SICA functions. The Navy Regional Finance Offices and the Navy Regional Procurement Offices provide finance, accounting, and procurement support to some Navy PICAs.

The Air Force ALCs perform the whole range of PICA and SICA functions for almost all items used by the Air Force. They also have some engineering responsibilities and perform major depot maintenance and storage missions which involve several times more personnel than the inventory control and procurement functions. The Air Force Finance and Accounting Center performs International Logistics billing for the ALCs. RDT&E functions are performed by divisions and offices of AFSC. AFSC also performs some ICA functions; primarily weapons systems and aircraft engine procurement. The Cryptologic Depot, an Air Force Security Service (AFSS) depot, performs the whole range of PICA and SICA functions and also has a depot maintenance and storage mission. Data processing support to AFSS is provided by San Antonio ALC. The Surgeon General of the Air Force, outside of the AFLC/AFSC chain of command, performs a full range of SICA functions.

The major AFLC role is that of a logistics headquarters. However, AFLC Headquarters and the AFLC Services Office have PICA responsibilities for a very few items and SICA responsibilities for considerably more items. AFLC Headquarters is also responsible for Service Central Cataloging, International Logistics Control, and central computer system design and programming.

The Marine Corps Headquarters in addition to its major Headquarters role also performs most PICA and SICA functions in relation to principle end items. The Marine Corps Logistics Support Base, Atlantic (MCLSBLANT) performs the whole range of PICA and SICA functions. MCLSBLANT serves as the Service Central Cataloging activity and performs the ICP computer systems design and programming function. The Marine Corps has no other PICA/SICA support activities nor inventory control agents.

The primary mission of the six DLA supply centers is the performance of PICA functions. One center (DISC) has limited SICA responsibilities and a similar assignment is planned for DCSC. Three centers have major storage missions, one has manufacturing and testing missions, and two have maintenance missions. Two of the centers, DFSC and DPSC, have worldwide materiel management responsibility with field activities throughout CONUS and overseas. A number of these activities are operated by the Military Services. Computer system design and programming is performed centrally except for DFSC which does its own. DASC provides finance and accounting, computer operations and other support to DFSC. DLSC provides Central Federal Cataloging support to all DoD inventory control activities except for nuclear items which is done by FCDNA's Nuclear Ordnance Catalog Office. DAASO provides requisition processing support to all DoD Components and GSA.

Other DoD includes DNA and NSA. FCDNA performs the full range of PICA and SICA functions. In addition FCDNA performs the cataloging function for ERDA items managed by Service PICAs and performs the central DoD cataloging functions for all nuclear items. FCDNA has a storage mission in addition to other noninventory control functions. NSA has a small PICA mission and a more extensive SICA mission. NSA is the design control agency for many items assigned to Service ICPs for primary management functions and performs the procurement function for them. The inventory control functions for Civil Defense items are performed by DGSC for Defense Civil Preparedness Agency. DGSC is also the SICA for items in which DIA has an interest and performs the cataloging function for DIA.

3. Variations in Organization

Variations in organization for inventory control functions are numerous. The Directorate for Materiel Management in the Army Commodity Commands performs inventory control functions solely; however, some inventory control functions are also performed in

maintenance and some in R&D and assistance is provided by supporting activities. The Directorate of Materiel Management in the Air Force performs several noninventory control functions and the directorate of Distribution performs some ICP functions. In DLA the inventory control functions are split between the Supply Operations and Technical Operations Directorates except at DPSC which is organized on a commodity basis. Two DLA ICPs (DPSC and DFSC) have functions performed by a large number of field activities. The Navy is organized on both a functional and a combination functional and commodity basis. Some Navy ICP and some DLA requisition processing and inventory adjustment functions are performed by Navy Stock Points. Other variations in the Navy exist at smaller ICPs including the combined performance of functions jointly by government and contractor organizational elements.

There is greater functional purity and organational alignment in the procurement area. Procurement operations are a separate organizational entity at most activities. Below this level several variations exist. Operations are organized on a pre-award/post-award, low dollar value/high dollar value, or commodity basis. Usually local (base) purchase is a separate element within the overall procurement organization. Industrial preparedness, a separate program element is included. Contract payment is usually in finance and accounting. Some PICAs (e.g., MSC, CESO, and FCDNA) must rely on other organizations to perform the major procurement functions.

4. Key Observations

** 284 activities are involved to some extent in the performance of ICP functions.

** Ninety-nine percent of the NSNs are assigned to 19 activities.

** One percent of the NSNs are assigned to 23 activities.

** 233 activities provide functional support to the activities assigned NSNs for management.

** Determination of the total cost and performance of DoD Wholesale Inventory Control and Procurement requires the accumulation of data from 284 separate activities.

** Nearly all activities performing ICP functions have other missions.

** Activities are organized in many different ways to perform ICP functions.

** The number of ICP functions performed varies significantly among activities.

** The ratio of consumable to nonconsumable NSNs assigned varies significantly among ICP activities.

5. Conclusions

a. The fact that 99% of the NSNs are assigned to only 19 of the 284 activities does not diminish the importance of the activities managing the other 1% of the NSNs. This is vividly demonstrated by DFSC who manages less than 3 one thousandths of one percent of the line items but has annual sales of almost 3 billion dollars and an inventory valued at approximately 0.9 billion dollars.

b. Differences in wholesale materiel management functions assigned to a wide variety of activities having varying missions preclude the development of meaningful cost and performance data to compare total cost and performance of one activity with the cost and performance of another activity on strictly an activity basis.

c. The development of comparable indicators of wholesale ICP performance requires the accumulation of data from different organizational elements at the same activity as well as from organizational elements at other activities.

d. The development of performance indicators which are comparable measures of ICP characteristics, costs, and performance require revised definitions of ICP functions and the accumulation of data by function, regardless of where and how the function is performed.

CHAPTER IV

ANALYSIS AND DEFINITION OF FUNCTIONS

A. INTRODUCTION

1. General

The purpose of this Chapter is to examine in detail the various logistics functions and associated tasks performed by the community of activities identified and discussed in Chapter III. In this analysis each function is examined and a determination made as to whether the function is within the definition of inventory control and whether it should be included within the scope of this Study Report. This analysis also provides further classification of functions.

As a result of the detailed analysis, tasks are realigned into new functional groupings to attain: (a) a greater degree of comparability, (b) a clearer demarcation between functions, (c) more homogeneous groupings of tasks based on the responsibilities and skills involved, and (d) the minimum number of functions required for performance evaluation. Consequently, the new functional groupings may not always conform to current concepts. Tasks are not performed uniformly by individuals and organizational elements at all activities performing inventory control functions. The new functions are defined by tasks without regard to an activity's organizational placement. Training is reflected as an integral task of each function rather than as a separate function.

Today, computers and other devices perform or assist in performing many tasks associated with both mission and support functions: accumulating demand and failure rates, computing gross and net requirements, processing requisitions, maintaining and searching catalog files, maintaining and retrieving technical data, and generating orders against contracts. Data processing is generally performed on a central service basis but this does not alter the function to which the task is aligned. For example, computation of gross worldwide requirements is associated with item management whether performed by people or machine, and whether performed in the same or a different organizational element than other item management tasks.

2. Classification. The existing functions which were examined are classified as included or excluded from the Study. The included functions are further classified as follows:

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a. Mission or Support. At each activity performing ICP mission functions, there are functions performed which are not a direct part of the mission assignments, but are in support of the mission. One objective of this Study is to provide total ICP performance data to include not only ICP mission functions but also the various tasks necessary to support these functions. Consequently, the included functions are classified as "mission" functions or "support" functions.

b. Primary or Secondary. Within the wholesale logistics community there are two different major roles relative to item management assignments. These two types of mission assignments are classified as "Primary" and "Secondary" and are performed by Primary Inventory Control and Secondary Inventory Control Activities (PICAs and SICAs) respectively, as defined in Chapter I. Tasks are analyzed and regrouped into functions which are either "Primary" or "Secondary" but not mixed.

c. General or Limited. Not all Primary Inventory Control functions are performed by all PICAs or are related directly and solely to the primary item management assignment. Therefore Primary Inventory Control functions are further classified as "General" if applicable to all PICAs and "Limited" if applicable to only some PICAs.

d. Component-wide or DoD-wide. There are some mission functions which are not primary or secondary but usually cross several item management assignments and are performed on a Component-wide or DoD-wide basis. They are classified as Component-wide or DoD-wide functions.

e. Functional Management. There are a number of tasks directly related to the performance of mission functions but which apply to more than one function; e.g., supervision above the first line. These tasks are classified as functional management and discussed as a separate entity rather than in conjunction with each mission function.

3. Organization

The succeeding paragraphs of this Chapter examine functions individually and are grouped based on the above classifications as follows:

"Included" functions:

Mission -

Group 1 - General Primary Inventory Control
Group 2 - Limited Primary Inventory Control
Group 3 - Secondary Inventory Control
Group 4 - Component-wide and DoD-wide Inventory Control
Group 5 - Functional Management (Overhead)

Support -

Group 6 - Activity-wide Support (Overhead)

"Excluded" functions:

Group 7 - Exclusions

Each paragraph starts with an Introduction which has a current description (usually the DoDI 7220.17 definition) of the function; proceeds to Findings and Analysis and an Assessment; and concludes with a Proposed Definition and Task List.

Group 1--GENERAL PRIMARY INVENTORY CONTROL FUNCTIONS

B. ITEM MANAGEMENT--PRIMARY

1. Introduction. Currently cost account 2.111, Materiel Management Operations, covers this functional area. The definition contained in DoDI 7220.17 is:

"2.111 - Materiel Management Operations - Includes review and analysis of computer outputs such as materiel transaction and status reports, and of materiel records/provisioning lists, determination/computation of system stock requirements, and the resulting initiation of supply actions, i.e., procurement, reallocation from purchases, redistribution of stocks, repair or disposal; coordination of provisioning program, and making range and depth decisions on items required to support and maintain end items of equipment; review of new supply items and application of management criteria for the purpose of

classifying and management coding of items as appropriate; forecast of requirements and related effort performed in conjunction with the materiel program/budget process; coordination, compilation, and publication of equipment allowance and support/load lists; coordination of supply support to specific weapons system including the collection, assembly and analysis of data, monitoring and evaluation of progress, and maintenance of a central information service for assigned weapons systems; participation in the computation of standard prices and maintenance of current price records for items managed; and initiation of requests for cataloging actions."

Several of the tasks included in the current definition of Materiel Management Operations are discussed briefly in this paragraph and more extensively elsewhere. Provisioning and allowance list tasks are discussed in Paragraph L, Technical Support--Secondary. Coordination of supply support for weapon systems is discussed in Paragraph I, Weapon System Support Oversight--Primary.

2. Findings and Analysis

a. Evaluation of Current Definition

The DoDI 7220.17 definition of Materiel Management Operations includes a fairly comprehensive list of the tasks performed in this area at the various Inventory Control Points (ICPs) across all Components. There are some significant tasks discussed below which are not specifically mentioned in the current definition.

Based on field research, a major shortcoming of the current definition is that nonhomogeneous tasks are grouped together. The current tasks are not homogeneous and, therefore, not comparable in two respects. First, there is a mixture of tasks for primary and secondary inventory control functions. For example, "determination/computation of system stock requirements" is a primary inventory control task performed by the integrated or Component wholesale manager for those items for which he is designated as the manager. On the other hand, "coordination, compilation, and publication of equipment allowance and support/load lists" is a secondary inventory control task performed by an activity of the using Component usually for a range

of items not identical to the range for which the activity may have primary responsibility. Secondly, the tasks are not homogeneous because they are not performed by all PICAs. For example, "initiation of supply actions" is a general task common to all primary inventory control assignments, whereas the "coordination of supply support to a specific weapons system including collection, assembly and analysis of data; monitoring and evaluating progress; and maintenance of a central information service for assigned weapons systems" is a limited task applying only to ICPs with a weapon systems support mission.

b. Revisions

Analysis of the tasks performed by the ICPs visited and a sampling of position descriptions indicated a need to narrow the scope of the function to "Item Management" and to redefine the list of tasks. The objective is to establish a function encompassing homogeneous tasks which are related to a specific group of items assigned for primary item management and normally performed by all activities having such assignments. To accomplish this objective some tasks were transferred to other functions and some new tasks included.

Transferred tasks:

Coordination of provisioning and making range and depth decisions on items required to support and maintain end items of equipment (transferred to Technical Support--Secondary).

Coordination, compilation, and publication of equipment allowance and support/load lists (transferred to Technical Support--Secondary).

Coordination of supply support to specific weapon systems including collection, assembly and analysis of data, monitoring and evaluation of progress, and maintenance of central information service for assigned weapon systems (transferred to Weapon System Support Oversight--Primary).

Added or expanded tasks:

Development and coordination of depot level maintenance program requirements, determination of short range repair requirements and priorities, and maintenance of surveillance over organic and contractual depot level repair, rebuild and overhaul program (this task is added for the items managed and does not include weapon systems; see Weapon System Support Oversight--Primary).

Control and accounting for stock funds and appropriated funds for procurement and depot level repair or rebuild of items; stock fund billings; and reimbursable sales.

The above revisions to the task list are essential to the achievement of comparability of functions. However, by themselves, these revised tasks do not achieve comparability. Most of the basic elements of management apply to all items, e.g., requirements determination, procurement direction, distribution, and disposal. The methodology and effort required to accomplish these tasks vary significantly by type of item, i.e., major end items of equipment, reparables, and consumables as defined in Chapter I. For example, requirements for consumable items are primarily demand oriented with adjustments for special program requirements and insurance items. Requirements for major end items of equipment are usually based on authorizations or allowances which are frequently determined by authorities outside of the ICP community. Determination of reparable item requirements are the most complex. They involve failure rates, condemnation rates, programmed usage rates, and maintenance float requirements. Similarily, differences exist in the other facets of item management. Therefore, three separate primary item management functions are required: Item Management of Consumables--Primary, Item Management of Reparables--Primary, and Item Management of End Items of Equipment--Primary.

The purification of the task list and the division into three functions, corresponding to the three types of items, with significantly different management complexities and methodologies enhances the degree of comparability. Within each of the three types of items there are a number of factors which result in significant variances in the intensity of management. These factors include whether the item is stocked or nonstocked; the essentiality of the item; the unit value and annual value of issues, and whether the item is in a short supply position. A

number of these factors are transitory and, therefore, do not provide a practical basis for establishing additional functions. The variations in workload associated with items within the same type are discussed and accommodated in Chapter V.

c. Interface with Other Functions

With the realignment of the item management tasks, interfunctional relationships will exist. The more significant interfaces are with Requisition Processing, Other Stock Control, Technical Support, Cataloging, Weapon System Support Oversight, Purchasing Pre-award, and Purchasing Post-award. Each are primary functions. The Item Management function also interfaces with Depot Maintenance Operations which is outside the scope of this Study and with the secondary functions of Item Management and Technical Support. The need to separate functions of Requisition Processing and Item Management requires item manager's time to be split between the two functions. Techniques for splitting time are discussed in Chapter V. The task lists in paragraph 4 are provided to delineate functions. This is particularly true where there is an interface between functions.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

The review and processing of requisitions including availability determinations, management reviews, maximum release quantity overrides and status to customers (assigned to Requisition Processing--Primary).

Processing of transactions against accountable or memorandum on-hand and due-in asset records (assigned to Other Stock Control--Primary).

Exercising surveillance over internal scheduling within maintenance facilities (assigned to Maintenance Operations which is excluded from this Study).

Management of Prepositioned War Reserves (PPWR) and determination of Component requirements for Other War Reserve Requirements (assigned to Item Management--Secondary).

3. Assessment

The current function of Materiel Management Operations as defined in DoDI 7220.17 does not group homogeneous tasks into a function comparable across ICPs. To achieve homogeneity and comparability, the task list has been revised and three, more limited functions established. These functions are:

ITEM MANAGEMENT OF CONSUMABLES--PRIMARY

ITEM MANAGEMENT OF REPARABLES--PRIMARY

ITEM MANAGEMENT OF END ITEMS--PRIMARY.

These revisions based on field research at ICPs of six Components coupled with the weighting provisions of Chapter V, provide for homogeneity and comparability of functional performance between and among ICPs.

4. Proposed Definition and Task List

A common definition and task list are provided for the three separate Primary Item Management functions in order to eliminate redundancy. Not all tasks and factors apply to all three functions.

Definition: ITEM MANAGEMENT (of CONSUMABLES, REPARABLES, or END ITEMS)--PRIMARY - The Primary wholesale management of assigned items of supply to include the tasks related to system-wide requirements determination; budgeting; direction to procure or repair; asset distribution and control; and disposal of materiel.

Tasks include:

a. Obtaining, reviewing, maintaining requirements computation factors (e.g., authorization/allowance data; demand data; program data--flying hours, steaming hours and troop strengths; failure rates, condemnation rates and turn around time).

b. Computating gross worldwide requirements (initial, replenishment, and special peacetime requirements, and Other War Reserve Materiel Requirements).

c. Initiating procurement, repair, reclamation, assembly/disassembly, manufacture (depot), distribution, expedite action, and disposal.

d. Performing supply control reviews to include verification of factors (e.g., price; assets on-hand or due-in; leadtimes; and carcass return rates) and determining supply action (buy, repair, redistribute, or dispose).

e. Forecasting requirements and related effort performed in conjunction with the materiel program/budget process.

f. Developing and coordinating Depot Level Maintenance Program requirements (does not include modification, see Paragraph I, Weapon System Support Oversight--Primary).

g. Controlling procurement and depot maintenance funds (appropriated and stock funds).

h. Developing and maintaining standard prices.

i. Billing for reimbursable issues.

j. Maintaining surveillance over organic and contractual depot level repair/rebuild/overhaul program (overhaul of systems excluded, see Paragraph I, Weapon System Support Oversight--Primary). Determination of short range repair requirements and priorities.

k. Obtaining, reviewing, assigning supply management systems data and codes (e.g., critical item, management review item, inactive review item, leadtimes, procurement cycles, and demand weight).

l. Determining supply impact of technical/engineering changes and program changes.

m. Performing support capability studies.

n. Initiating requests for catalog actions based on item management considerations.

o. Initiating and coordinating actions under the Defense Inactive Item Program.

p. Coordinating with users and logistics support agents.

q. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

C. REQUISITION PROCESSING--PRIMARY

1. Introduction. Currently cost accounts 1.21, Requisition Processing, and 2.141, Manual Processing of Requisitions, cover this function. The definitions contained in DoDI 7220.17 are:

> "1.21 - Requisition Processing - Includes receiving, recording and processing material request documents (requisitions), maintaining requisition files, and providing status information on requisitions; liaison operations with using activities and bases; over-all supervision of stock control operations."
>
> "2.141 - Manual Processing of Requisitions - Includes receiving, recording and processing material request documents (requisitions), maintaining requisition files; technical data research incident to processing incoming request documents; providing status information on requisitions; and liaison operations with using activities and bases."

Two of the tasks included in the current definitions of Requisition Processing and Manual Processing of Requisitions are discussed briefly in this paragraph and more extensively elsewhere. "Over-all supervision of stock control operations" is discussed in Paragraph S, Functional Management. "Technical data research incident to processing incoming request documents" is discussed in Paragraph E, Technical Support--Primary. Using Component review and authorization are discussed in Paragraph K, Stock Control--Secondary.

2. Findings and Analysis

a. Evaluation of Current Definitions

Requisition processing occurs at two different types of activities and is reported under two different cost accounts. As discussed in Chapter III, the Navy and Defense Logistics Agency (DLA) utilize Navy Stock Points to process requisitions. The stock points are located at supply centers, depots and air stations. These activities report under cost account 1.21. The Navy, DLA and other Components also process requisitions at their ICPs. The ICPs generally report under cost account 2.141.

The DoDI 7220.17 definitions of these two accounts provide a very general description of the requisition processing functions. There are significant differences between the two definitions. The definition of account 1.21 includes "over-all supervision of stock control operations." Thus all supervision of stock control operations is charged to requisition processing at stock points and no supervision is charged at ICPs. Conversely, the definition of 2.141 includes "technical data research incident to processing incoming request documents." Thus the technical effort is included at ICPs, but not at stock points. A further difference is reflected in the account titles. Account 2.141 is limited to manual processing of requisitions whereas account 1.21 does not have this limitation.

Field research disclosed varying interpretations as to the scope of the function. The narrower interpretations included only those personnel located in an organizational element which had requisition processing as its primary function. The time spent by item managers in processing requisitions was not included. On the other extreme, all actions related to processing a requisition were included. In this latter case, the time of catalogers researching part-numbered requisitions, technicians determining substitutes, item managers making supply decisions, and procurement personnel making purchases to fill requisitions for nonstocked or not-in-stock items were charged to requisition processing.

b. Revisions

Analysis of the tasks performed by the ICPs and stock points visited indicates a need to combine the functions of "Requisition Processing" and "Manual Requisition Processing" and to clarify the task list. This combined definition includes the tasks performed at ICPs and stock points. The inclusion or exclusion of a task is not dependent upon whether it is performed manually or mechanically. The objective is to establish a function which encompasses homogeneous tasks unique to the processing of customer requisitions and related documents for items assigned for primary management. Tasks performed in conjunction with requisition processing, but not unique to the process (e.g., cross-referencing part numbers to National Stock Numbers (NSNs), technical research, and procurement) are excluded from requisition processing.

Transferred tasks:

Over-all supervision of stock control operations (transferred to Functional Management).

Technical data research incident to processing request documents (transferred to Technical Support--Primary).

Added or expanded tasks:

Receiving, recording, processing materiel requests and related documents by manual and mechanical means for all items assigned for primary management to a PICA or its agent.

Back order reconciliation and validation.

The above revisions to the task list are essential to achieve the comparability of functions regardless of organizational alignment and degree of mechanization. There are significant differences in the methodology and degree of effort required to process requisitions for the three types of items, e.g., major end items of equipment, reparables, and consumables as defined in Chapter I. Many end items of equipment require edits to determine if the requisitioner is authorized the item. Authorization edits may involve special asset reporting and special justification. Requisitions for reparables may require evidence of turn in of unserviceable item and comparison against authorized levels. Because of these differences and the very high volume of activity, three separate primary requisition processing functions are required: Requisition Processing of Consumables--Primary, Requisition Processing of Reparables--Primary, and Requisition Processing of End Items--Primary.

c. Interface With Other Functions

The Requisition Processing functions for consumables, reparables, and end items interface with other functional areas. The more significant interfaces are with the primary functions of Item Management for consumables, reparables, and end items; Other Stock Control; Technical Support; Cataloging; Weapon System Support Oversight; Procurement Pre-award, and Post-award. Requisition Processing also interfaces with Storage and Distribution operations which are outside the scope of this Study and with the three secondary functions of Item Management. The task lists in Paragraph 4 are provided to delineate between requisition processing and other functions, particularly where there are interfaces.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Maintenance of Not Operationally Ready Supply (NORS) status for a weapon system rather than only for items assigned for primary management (assigned to Weapon System Support Oversight--Primary).

Service approval of customer requisitions prior to submission to the source of supply (assigned to Stock Control--Secondary).

Initiation of procurement requests or maintenance work orders (assigned to Item Management of Consumables, Reparables, or End Items--Primary).

3. Assessment

The current functions of Requisition Processing (Account 1.21) and Manual Requisition Processing (Account 2.141) are not compatible, resulting in noncomparable data among Components, and should be combined. The current definitions are subject to widely varying interpretations and require further delineation of tasks. In order to achieve homogeneity and comparability, the task lists have been revised and three primary functions established. These functions are:

REQUISITION PROCESSING OF CONSUMABLES--PRIMARY

REQUISITION PROCESSING OF REPARABLES--PRIMARY

REQUISITION PROCESSING OF END ITEMS--PRIMARY

These revisions, based on field research at ICPs of six Components and Navy Stock Points and delimited to tasks unique to requisition processing, provide for homogeneity and comparability of functional performance between and among the ICP activities.

4. Proposed Definition and Task List

A common definition and task list are provided for three separate Primary Requisition Processing functions to eliminate redundancy. Not all tasks apply to all three functions.

Definition: REQUISITION PROCESSING (of CONSUMABLES, REPARABLES, or END ITEMS--PRIMARY) - The performance of all tasks manual and mechanical that are unique to the receipt, recording and processing of materiel requests (requisitions) and all requisition related documents for items assigned for primary management. Includes: maintaining requisition files; determining supply action; providing status information on requisitions; and liaison with using activities and bases. Requisitions include items with and without NSNs and both manually and mechanically processed transactions. Requisition documents include requisitions, modifiers, passing orders, supply directives, referral orders, materiel obligations, follow-ups, status, materiel release orders, confirmation, denials, redistribution orders when used to supply a requisition, and cancellations. Requisition documents may be transmitted by electrical communications, mail, telephone, and courier.

Tasks include:

a. Controling, reviewing, and converting to computer input media documents received by other than AUTODIN.

b. Reviewing and correcting computer rejects as the result of validity checks.

c. Preparing passing orders and referral orders for requisitions which must be sent to another source of supply.

d. Expediting the processing of high priority requisitions including availability edit and generation of materiel release orders.

e. Maintaining suspense files and providing status information and customer liaison.

f. Reconciling and validating back orders.

g. Updating local customer address file.

h. Maintaining status boards for high priority requisitions not immediately issued.

i. Receiving and processing customer complaints related to requisitions, including shipment discrepancies.

j. Taking appropriate resupply action on materiel release denials.

k. Conducting authorization review and approval for issue of item manager controlled items (supply source review in lieu of Component review).

l. Performing availability edits including back order release.

m. Reviewing requisitions for nonstocked items, including non-NSNs and local purchase items, for determination of supply action.

n. Canceling Materiel Release Order (MRO) and/or shipment as a result of requisition cancellation.

o. Coordinating with the primary functions of Cataloging, Technical Support, Pre-Award and Post-Award Procurement, and Maintenance that are related to a requisition.

q. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

D. OTHER STOCK CONTROL--PRIMARY

1. Introduction. Currently cost accounts 1.22 and 2.142, Other Stock Control Operations cover this function. The definitions contained in DoDI 7220.17 are:

"1.22 - Other Stock Control Operations - Includes control and processing of receipt documents and maintaining active and completed order files; maintaining stock records, processing documents affecting stock records, preparation of stock status reports, and maintaining historical item demand data."

"2.142 - Other Stock Control Operations - Includes control and processing of receipt documents and maintaining active and completed order files; maintaining stock records, processing documents affecting stock records; preparation of stock status reports; maintaining historical item demand data; and special supply effectiveness reviews in response to management requests."

Two of the tasks included in the current definitions of Other Stock Control Operations are discussed briefly in this paragraph and more extensively elsewhere. "Maintaining historical item demand data" is discussed in Paragraph B, Item Management--Primary. "Special supply effectiveness reviews in response to management requests" are discussed in Paragraph S, Functional Management.

2. Findings and Analysis

a. Evaluation of Current Definitions

Other stock control operations occur at two different types of activities and are reported under the two different cost accounts. As discussed in Chapter III the Navy utilizes the Navy Stock Points to maintain accountable stock records. In the Air Force the Directorate of Distribution at the storing activity maintains the accountable stock records for all Air Force ICPs storing items at that activity. The Army, Marine Corps, and DLA maintain accountability at the ICP. There is some dual processing of receipt and adjustment transactions between DLA and the Navy Stock Points. ICPs of all Components generally establish due-in records. The Navy Stock Points and Air Force Directorate of Distribution report under cost account 1.22 and the ICPs under cost account 2.142.

There is only one significant difference in DoDI 7220.17 definitions of the two accounts. The definition of account 2.142 includes "special supply effectiveness reviews in response to management requests." This task is not included in account 1.22.

Field research indicated that the other stock control function is very highly automated at most ICPs with only receipt exceptions and inventory adjustments (on a sample basis) requiring manual processing. The maintenance of the due-in asset records is frequently fragmented among the directorates for procurement, materiel management and distribution. The time and effort expended in the procurement directorate are usually not reported under this function.

b. Revisions

Analysis of the tasks performed at the stock points and several organizational elements of the ICPs visited indicate

the need to combine the two accounts into a single function. Further, the task list requires revision with emphasis on the task performed without regard to the organizational element which performs it. The objective is to establish a function which encompasses the tasks related to the establishment and maintenance of on hand and due-in asset records for all items assigned for primary management.

Transferred tasks:

Maintaining historical item demand data (transferred to Item Management--Primary).

Special supply effectiveness reviews in response to management requests (transferred to Functional Management).

Added or expanded tasks:

Processing of all documents, except requisitions, affecting stock records (e.g., capitalization/decapitalization, processing materiel on loan, and disposal actions).

Establishing and maintaining due-in asset records from all sources including procurement (purchase requests, contracts and receipts), repair, customer returns, logistic transfers and reclamation.

The establishment of a single function and the revision to the task lists as indicated above are essential to achieve comparability regardless of organization alignment and degree of mechanization.

c. Interface With Other Functions

The more significant interfaces of the single new Other Stock Control--Primary are with the primary functions of Item Management, Purchasing Pre-award and Purchasing Post-award. Other Stock Control also interfaces with Storage and Distribution Operations which are outside the scope of this Study and with the secondary function of Other Stock Control when performed by the same activity. The tasks listed in Paragraph 4 are provided to delineate functions particularly where interfaces are involved.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Preparing Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP) Materiel Receipt Cards and Adjustment Transactions (noninventory control - assigned to Storage and Distribution operations which are outside the scope of this Study).

Conducting physical inventories and preparing MILSTRAP Physical Inventory Count Cards (assigned to Storage and Distribution operations which are outside the scope of this Study).

3. Assessment. The current definitions of accounts 1.22 and 2.142, Other Stock Control Operations, are not compatible. They result in noncomparable data among Components and should be combined into a single account. Several tasks should be transferred to other functions and the remaining tasks described in more detail to assure uniform interpretation regardless of the organizational element performing the function. The redefined and revised task list provides for homogeneity and comparability of functional performance between and among ICP activities.

4. Proposed Definition and Task List

Definition: OTHER STOCK CONTROL--PRIMARY - The establishment and maintenance of accountable and memorandum on-hand asset records and due-in asset records to include reconciliation of records, processing documents other than requisition related documents affecting stock records, and the coordination of physical inventories with storage activities.

Tasks include:

a. Processing receipt transactions and documents.

b. Processing inventory adjustments (e.g., condition, ownership, purpose, location).

c. Performing storage depot and ICP record reconciliation.

d. Processing disposal actions.

e. Processing capitalization and decapitalization transactions.

f. Processing materiel on loan (including Government Furnished Equipment (GFE)).

g. Maintaining active and completed order files.

h. Maintaining accountable and memorandum stock records.

i. Processing physical inventory count cards and making adjustments. Initiating and processing reports of survey by accountable officer.

j. Coordinating physical inventories.

k. Establishing and maintaining due-in asset information from procurement, repair, customer returns, logistics transfer, assembly/disassembly, and reclamation.

l. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

E. TECHNICAL SUPPORT--PRIMARY

1. Introduction. Currently cost account 2.112, Technical Support, covers this area. The definition contained in DoDI 7220.17 is:

> "2.112 - Technical Support - Includes determination of technical supply management criteria regarding repairability, interchangeability, and usage factors; determination of preservation, packaging and marking requirements, and development of weight and cube information; development, maintenance and furnishing of drawings or military specifications/standards, item specification numbers, industry standards, purchase descriptions, shelf life, deterioration codes or other technical data, and effort related to the Value Engineering Program..."

Several of the tasks included in the current definition of Technical Support are discussed briefly in this paragraph and more extensively elsewhere. "Determination of technical supply management criteria regarding repairability, interchangeability, and

usage factors," is discussed in Paragraph L, Technical Support--Secondary.

2. Findings and Analysis

a. Evaluation of Current Definition

Field research disclosed that technical support is provided by several different activities. The PICA for an item normally provides technical support to the item management and procurement functions. Technical support personnel at PICAs normally perform the required coordination and liaison with other technical support activities. SICAs also perform technical support and are normally the source of much of the technical data provided to the PICA. Technical proposals and decisions frequently must be referred to the SICA by the PICA. In some cases the SICA is not the ultimate authority for technical support decisions but is dependent upon an Inventory Control Agent (ICA). The Services have Engineering Cognizant and Design Control Activities not located at either the PICA or SICA. In this case, the Engineering Cognizant and Design Control Activity frequently must approve technical proposals such as Class I changes and provide new and revised technical documentation.

In addition to finding current Technical Support tasks being performed at more than one activity, field research also disclosed several major tasks of a technical nature not included in any ICP function. Two major areas noted are first destination transportation and traffic management, and procurement and storage quality assurance policies and requirements. It was concluded that there were not sufficient resources involved or justification for establishing these as separate functions. While these tasks are akin to Technical Support they are generally performed by personnel with quite different position descriptions than technical personnel.

b. Revisions

Analysis of the tasks performed by activities visited indicated a need to clarify and separate the technical support roles of PICAs, SICAs, and Engineering Cognizant and Design Control Activities. The revised function provides for the inclusion of tasks related to first destination transportation and traffic management, and procurement and storage quality

assurance policies and requirements. The objective is to establish a function encompassing all of the technical support tasks related to the primary management of an item whether these tasks are performed by the PICA or an ICA.

Transferred tasks:

Determination of reparability and usage factors (transferred to Technical Support--Secondary).

Development of drawings or military specifications (transferred to Technical Support--Secondary).

Development of military standards (transferred to Special Assignments--DoD-wide).

Added or expanded tasks:

Determining and recommending first destination traffic management and transportation policies.

Developing and effecting procurement and storage quality assurance policies.

Technical data research incident to processing requisitions.

c. Interface With Other Functions

The more significant interfaces of the new Technical Support--Primary function are with the primary functions of Purchasing Pre-award, Purchasing Post-award, Cataloging, Item Management and Requisition Processing. Technical Support--Primary also interfaces extensively with the secondary function of Technical Support whether performed by the same or another activity. The tasks listed in Paragraph 4 are provided to delineate functions particularly where there are interfaces.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Participating in provisioning including determining range and depth of support items (assigned to Technical Support--Secondary).

Making initial code determination for supply support requests or comparable internal document including Acquisition Advice Code (AAC); Item Management Code (IMC); Procurement Method Code (PMC); Source, Maintainability and Recoverability Codes (SMR); Interchangeability and Substitutability Codes (I/S); and Shelf Life Code (assigned to Technical Support--Secondary).

3. Assessment

The current definition of account 2.112, Technical Support, does not reflect the separate roles of the activity assigned primary management responsibility and the role of the activities representing the User Components with secondary management responsibilities. In the present wholesale management community a given activity may perform only primary tasks, only secondary tasks, or both. Since account 2.112 is a mixture of primary and secondary tasks, the data reported are not comparable among activities. A further complication is the fact that in some cases the tasks are performed by separate Engineering Cognizant and Design Control Activities which in the past have not been recognized as ICAs.

There are two groups of tasks performed by PICAs which are not included in any of the 7220.17 ICP functions. These are the tasks related to first destination transportation and traffic management, and procurement and storage quality assurance policies. These tasks do not warrant the establishment of separate functions; are akin to Technical Support tasks; and are included in the revised function.

4. Proposed Definition and Task List

Definition: TECHNICAL SUPPORT--PRIMARY - Providing technical support to all functional areas of a primary management assignment including responsibilities for: the acquisition and adequacy of technical data required to support the procurement, supply, and maintenance of assigned items; providing advice and recommendations regarding technical requirements and standards; first destination transportation and traffic management; procurement and storage quality assurance; and liaison with Department of Defense (DoD) Components and industry on technical matters.

Tasks include:

a. Receiving, maintaining, and furnishing technical data (e.g., specifications, standards, engineering drawings, and maintenance specifications, limitations and standards).

b. Providing technical support to item management, e.g., by reviewing requisitions and procurement requests for potential use of other assets (e.g., substitution, cannibalization, use of next higher assembly, fabrication); reviewing proposed disposal actions for possible modification or interchangeability; and advising if nonstock numbered items should be stock numbered.

c. Providing technical support to cataloging (e.g., by performing technical review of part numbered items to identify existing NSNs and to preclude the entry of duplicate items).

d. Providing technical support to procurement (e.g., by identifying possible sources; reviewing and justifying sole source; answering contractors' technical inquiries; determining price reasonableness; approving or obtaining approval of requests for waivers, deviations or alternate items; technically evaluating bids and evaluating Freight On Board (FOB) origin/destination alternatives).

e. Validating and revising Procurement Method Codes (including review of sole source breakout).

f. Determining and coordinating preservation, packaging, packing and Quantity Unit Pack for assigned items.

g. Proposing and maintaining interchangeability and substitutability relationships.

h. Providing the procurement technical data packages, including procurement description, specifications, drawings, test requirements, preservation, packing, packaging, and quality assurance provisions.

i. Collaborating on standardization proposals; recommending development of new or revised standards and specifications; and proposing or developing Sections II and III of new and revised Federal Item Identification Guides (FIIGs).

j. Reviewing, recommending, or initiating actions resulting in materiel improvements, reduction of costs or complexity, including value engineering analyses and studies subject to User Component approval.

k. Developing and effecting procurement and storage quality assurance policies; reviewing quality assurance provisions of contracts; and processing deficiency reports.

l. Developing and maintaining technical data for depot maintenance repairability standards, specifications and limitations for repair/rebuild/modification of items, and providing technical portions of work and project orders.

m. Determining first destination traffic management and transportation factors and making recommendations.

n. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

F. CATALOGING--PRIMARY

1. Introduction. Currently cost account 2.12, Cataloging, covers this function. The definition contained in DoDI 7220.17 is:

> "2.12 - Cataloging - Includes catalog data acquisition; research and classification of items; maintenance of catalog files, preparation and revision of item identifications for all logistics functions; compilation of Federal Catalogs Sections and allied publications; and the development of Federal Item Identification Guides."

Two tasks in this definition are discussed briefly in this paragraph and more extensively elsewhere. "Compilation of Federal Catalog Sections and allied publications" is discussed in Paragraph P, Cataloging--DoD-wide. "Development of Federal Item Identification Guides" is discussed in Paragraph R, Special Assignments--DoD-wide. Other aspects of cataloging are discussed in Paragraph O, Cataloging--Component-wide. Current cost account 2.21, Cataloging, covers tasks performed by Defense Logistics Services Center (DLSC).

2. Findings and Analysis

a. Evaluation of Current Definition

Field research disclosed that the total tasks involved in cataloging are divided into four groups. First, there are tasks performed by the activity assigned primary management

responsibility for an item. Second, there are other tasks performed by one or more activities from the standpoint of a Component or secondary management perspective. Frequently, the primary and secondary tasks are performed by the same activity. Third, at the Component level, a consolidated Master Catalog file is usually maintained and other Component-wide cataloging tasks performed. Finally, there are tasks performed at the DoD-wide level by the Defense Logistics Services Center and the Nuclear Ordnance Catalog Office (NOCO), Defense Personnel Support Center (DPSC) and the National Security Agency.

The Cataloging--Primary function is frequently performed by an ICA which, in turn, is a PICA for other items. All of the tasks listed under cost account 2.12 are also included under cost account 2.21.

The development of Federal Item Identification Guides is not performed by all cataloging activities. These tasks represent special DoD-wide assignments which are not congruous with either primary or secondary management assignments.

Concurrently, with the implementation of Defense Integrated Data System (DIDS) at DLSC, there have been significant changes in responsibility for cataloging actions. One of these major transfers of responsibility being phased in is the publication and distribution of the Federal Supply Catalogs except the cataloging for medical, subsistence and security classified items.

b. Revisions

Analysis of tasks performed by the various cataloging activities indicated a need to establish four distinct cataloging functions: Primary, Secondary, Component-wide and DoD-wide. Only Cataloging--Primary will be discussed here. The other functions are covered in separate paragraphs of this Chapter. The analysis also indicated that the development of FIIGs is a special assignment not common to all PICAs. To achieve comparability, it is essential that the primary and secondary management tasks must be clearly identified because both functions are frequently performed by the same activity and at times for the same item. The objective here is to establish a function which encompasses homogeneous tasks performed by all PICAs or their Agents regardless of Component. When the managing Component is also the User Component the tasks are still assigned separately as PICA and SICA functions.

Transferred tasks:

Compilation of Federal Catalog Sections (transferred to Cataloging--DoD-wide).

The development of Federal Item Identification Guides (transferred to Special Assignments--DoD-wide).

Initial classification of items (transferred to Cataloging--Secondary).

Added or expanded tasks:

Screening and validating requests for establishment of new items to preclude entry of unnecessary or unauthorized items.

Collaborating on proposed new and revised Federal Item Identification Guides, Approved Item Names (AINs), and Federal Supply Classification (FSC) index and structure.

The establishment of four separate cataloging functions and the revisions to the task lists indicated above are essential to achieve comparability of functions and to evaluate the total performance of the cataloging functions.

c. Interface With Other Functions

The more significant interfaces of the new Cataloging--Primary function are with the primary functions of Item Management and Technical Support. Cataloging--Primary also interfaces with the Secondary, Component-wide, and DoD-wide cataloging functions. The closest and more difficult relationship to discern is between the Primary and Secondary cataloging functions. Both functions are frequently performed by the same activity when the primary management assignment is to a Military Service. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where there are interfaces between functions.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Developing and submitting of Military Service peculiar catalog management data (assigned to Cataloging--Secondary).

Preparing and submitting or arranging for provisioning screening requests (assigned to Cataloging--Secondary).

Determining and assigning FSC and item name to new items (assigned to Cataloging--Secondary).

Publishing of Federal Supply Catalogs (assigned to Cataloging--DoD-wide).

3. Assessment

The current definitions of cost accounts 2.12 and 2.21 do not clearly delineate the differences in the cataloging tasks of PICAs from those of the Activity performing a DoD-wide function. In addition, the current definitions do not adequately recognize the cataloging tasks performed on a Component-wide basis. However, the most significant deficiency in the current definition is the lack of distinction between the tasks associated with the primary management assignment and those tasks associated with the User Component interest. Finally, the current definitions do not provide adequate detail to delineate the functions.

In order to achieve comparability and to include the total performance of the cataloging functions, four separate functions are established. The first is Primary which is discussed in this paragraph. The other cataloging functions are Secondary, Component-wide and DoD-wide which are discussed separately in Paragraphs M, O, and P, respectively.

4. Proposed Definition and Task List

Definition: CATALOGING--PRIMARY - The initiation, review, or coordination of cataloging actions from a primary management perspective including the screening and validation of requests for the establishment of new items in the Federal Catalog; the identification of items of supply; and the development, coordination, recording, and maintenance of local and Federal Catalog file data for items assigned for primary management.

Tasks include:

a. Acquiring and authenticating data for catalog purposes.

b. Screening and validating applicable Reference Data (e.g., Federal Supply Code for Manufacturers (FSCM), Reference Number, Reference Number Category Code, and Reference Number Variation Code).

c. Screening and validating requests for the establishment of new items to preclude entry of unnecessary or unauthorized items; coordinating with the item manager and equipment specialist on suspected duplicates.

d. Preparing and revising item identifications and obtaining NSNs.

e. Preparing, coordinating, and submitting new and revised data for the Federal Catalog file except Service peculiar catalog management data.

f. Maintaining manual and/or mechanized local catalog files of items assigned for primary management.

g. Assigning local activity control numbers or interim stock numbers.

h. Reviewing, validating, and redetermining classification of items.

i. Reviewing and coordinating logistic reassignment proposals.

j. Collaborating on proposed new and revised Federal Item Identification Guides, Approved Item Names, and FSC index and structure.

k. Validating the adequacy of technical data for cataloging.

l. Proposing revisions to FIIGs and AINs.

m. Evaluating and processing catalog changes received from SICAs.

n. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

G. PURCHASING--PRE-AWARD--PRIMARY

1. Introduction. Currently the summary cost account 3.1, Procurement Operations, and cost accounts 3.11, Procurement Planning, and 3.12, Contract Execution, cover this function. The definitions contained in DoDI 7220.17 are:

"3.1 - Procurement Operations - Operations involving actions of all personnel engaged in the centralized acquisition of supplies and services from the receipt of procurement request through the execution of the contract."

"3.11 - Procurement Planning - Actions following the receipt of a procurement request up to but not including the preparation and issuance of solicitations for bids and proposals."

"3.12 - Contract Execution - Preparation and issuance of solicitation documents; receipt and evaluation of bids and proposals; and the negotiation and award of contractual documents."

The tasks included in the current definitions apply to all centralized acquisition of supplies and services. The exclusion of centralized acquisition for Research and Development is discussed in this paragraph and in Chapter I, Paragraph A3b. The establishment and maintenance of due-in records is discussed in Paragraph D, Other Stock Control--Primary.

2. Findings and Analysis

a. Evaluation of Current Definitions

The DoDI 7220.17 definition of Procurement Operations is very broad and all inclusive, but not specific. Field research disclosed that most activities interpreted the definition to include only those tasks actually performed within the procurement organization (usually a directorate or division). Consequently, tasks falling within the definition, but performed outside of the procurement organization were not reported in procurement cost accounts.

Procurement Operations, which cover from receipt of purchase request through the execution of the contract, are divided into two functions: Procurement Planning and Contract

Execution. Based on the data reported in the Compendium of Inventory Control Point Management Information, Procurement Operations represent over 18% of the total direct cost of ICPs. The division into more manageable segments appears desirable; however, field research did not reveal a practicable division. Field research showed that currently prescribed cost breakouts were ignored; were accomplished by applying a constant percentage; or were recorded separately. Recording separately is considered as having questionable reliability because of inherent difficulty in dividing Procurement Operations as prescribed.

The present definition includes all "central acquisition of supplies and services." Field research disclosed that most ICP central procurement organizations also performed local purchase in support of their installation. Some ICPs, Army Commodity Commands in particular, also had a significant Research and Development procurement mission. Neither the local purchase or R&D procurement missions are directly related to the inventory control mission and their inclusion contributes to non-comparability.

There are two existing situations which affect the procurement function as performed by PICAs. First, a few PICAs do not have their own procurement organization. Second, some PICAs have Coordinated Procurement assignments. Those PICAs without their own procurement organization have the function performed by one or more agents and in this respect procurement does not differ from other ICP functions such as requisition processing. However, these procurement agents do not currently report under the DoDI 7220.17 Cost Accounts. Those PICAs with Coordinated Procurement assignments have a procurement responsibility that is broader than their item management assignment. Conversely, other PICAs procurement responsibility is less than their item management assignment because of the PICAs use of Military Interdepartmental Purchase Requests (MIPRs). DoDI 7220.17 does not specifically mention MIPRs. However, MIPRs are processed essentially the same as internal purchase requests by the Coordinated Procurement Assignee and responsibility is assigned as part of the PICA's wholesale inventory control functions. Consequently, materiel management and procurement assignments are not always identical.

b. Revisions

Analysis of the tasks performed by the purchasing organizations of the ICPs visited indicates a need to combine the two existing cost accounts into a single Purchasing Pre-award function. This combined function considers the purchasing tasks performed in legal, Small Business, and printing organizations as well as those performed within the purchasing organization. Since the majority of Small Business and Printing efforts are related to Purchasing--Pre-award--Primary, the total cost and man-hours should be charged to the pre-award function rather than allocated between the two functions of pre-award and post-award. The objective is to establish a function which encompasses all tasks from the receipt of a valid purchase request to the execution of a contract without regard to organizational placement. Tasks performed in support of Research and Development and local installation support are excluded. Tasks performed by Contract Administration Activities (Defense Contract Administration Services and Plant Cognizance Activities) are excluded. Tasks performed by ICAs, Coordinated Procurement Assignees, and related automated processing are included.

Added or Expanded Tasks:

All legal review and advice through initial contract execution, including any award protests.

All tasks performed by small business specialists assigned to the purchasing activity including tasks performed in the post-award phase.

Printing of all procurement related documents (e.g., invitation to bid, requests for proposals, and award).

All pre-award survey tasks performed by the purchasing activity.

The revisions to the tasks list as indicated above are essential to reflect the total effort related to the function and to achieve comparability of functions regardless of organizational alignment. There are significant differences in the degree and level of effort required to process purchase requests depending on the value and method of procurement. These variations in workload associated with differences in value and procurement method are discussed and provided for in Chapter V.

c. Interface With Other Functions

The more significant interfaces of the new combined Purchasing--Pre-award--Primary function are with the primary functions of Item Management, Technical Support, Other Stock Control and Purchasing--Post-award. Purchasing--Pre-award--Primary interfaces with Industrial Preparedness Production Planning, Contract Administration Services, and Research and Development Procurement which are noninventory control functions or are not included in this Study. Purchasing--Pre-award--Primary also interfaces with legal and printing which are tasks under Command and Support and Purchasing--Pre-award--Primary. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where there are interfaces between functions.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Tasks performed by Contract Administration Activities (assigned to Defense Contract Administration Services (DCAS) and Plant Cognizance Activities which are outside the scope of this Study).

Local purchasing for own installation support (assigned to Command and Support-Base Operations).

Purchasing in support of Research and Development (assigned to Research and Development which is outside the scope of this Study).

Establishing and maintaining on order and due-in records (assigned to Other Stock Control--Primary).

Initiating and processing all contract modifications (assigned to Purchasing--Post-award--Primary).

Initiating and processing all orders against Indefinite Delivery Type Contracts including Federal Supply Schedule Contracts (assigned to Purchasing--Post-award--Primary).

3. Assessment. The current function of Procurement Operations as defined in DoDI 7220.17 is not specific enough and varied interpretation results in noncomparability. The current separation

into two functions of Procurement Planning and Contract Execution is not practical. To achieve homogeneity and comparability, a single function is established and the task list expanded to specify tasks frequently performed outside the procurement organization element. Coordination Procurement assignments and procurement by ICAs are included. Purchases in support of Research and Development and local installation requirements are excluded. The redefined and revised definition and tasks list coupled with the weighting provisions of Chapter V provide for homogeneity and comparability of functional performance between and among ICP activities.

4. Proposed Definition and Task List

Definition: PURCHASING--PRE-AWARD--PRIMARY - The tasks performed by PICAs and ICAs related to the central purchasing of supplies and services in support of wholesale management requirements (excluding research, development and local installation requirements) from the receipt of a purchase request, including MIPRs, through the initial execution and distribution of the contract.

Tasks include:

a. Performing pre-award planning.

b. Receiving and reviewing Purchase Requests and MIPRs.

c. Developing procurement determination and findings, synopses, and/or preliminary invitation notices.

d. Developing and distributing solicitations, Invitations for Bids, Requests for Proposals and/or Quotations.

e. Maintaining bidders lists.

f. Conducting bid openings.

g. Reviewing and evaluating bidder proposals.

h. Selecting probable contractors.

i. Performing or participating in production leadtime studies and/or industry capability and produceability studies.

j. Conducting or participating in pre-award surveys and pre-procurement analyses by purchasing offices.

k. Conducting cost and price analyses by purchasing offices.

l. Negotiating and drafting contracts.

m. Issuing Basic Agreements, Basic Ordering Agreements (BOAs), and Blanket Purchasing Agreements (BPAs).

n. Issuing Purchase Orders, Indefinite Delivery Type Contracts, Letter Contracts, Orders against BOAs, Calls against BPAs, and other initial contract instruments (not including contract modifications or orders against Indefinite Delivery Type Contracts or Federal Supply Schedules).

o. Preparing and distributing letters to unsuccessful bidders.

p. Performing internal procurement contract review prior to award.

q. Performing small business review of contracts.

r. Performing legal review of procurement contracts prior to award and handling protests related to the award.

s. Printing of all unique procurement related documents, e.g., invitations, solicitations, awards.

t. Signing procurement contract by warranted Government employee.

u. Distributing procurement contracts to successful bidders for their acceptance and signature.

v. Establishing and maintaining internal PR/MIPR control, procurement history and/or contractor performance history (excludes establishing and maintaining of due-in records).

w. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

H. PURCHASING--POST-AWARD--PRIMARY

1. Introduction. Currently the summary Cost Account 3.2, Contract Administration; and Cost Accounts 3.21, Production; 3.22, Contract Administration; 3.23, Quality Assurance; 3.24, Industrial Security; and 3.25, Contractor Payment cover this function. The definitions contained in DoDI 7220.17 are:

"3.2 - Contract Administration - All functions of procurement that are performed after contract award except performance of preaward surveys accomplished prior to award. Includes surveillance of contractor performance to assure compliance with all provisions of the contract and Armed Services Procurement Regulation, including such aspects of administration as negotiation and execution of supplemental agreements; price and cost analysis; approval of contractor accounting, estimating, and purchasing systems; determination of fact regarding such items as cost, performance, schedules, and incentives; termination settlements; property administration; quality assurance; production surveillance; industrial manpower engineering support; transportation and packaging; industrial security; financial management; safety; preaward surveys; provision of evaluations, determinations, approvals, reports and other services required by the contract or other appropriate instructions."

"3.21 - Production - Preaward and postaward planning actions, preventative and corrective, to assure that purchase requirements are delivered efficiently in the quantity needed and at the time required. Includes review and identification of conditions potentially threatened or actually delaying contract delivery or performance, as well as prompt accomplishment of actions to achieve the most economical and timely solution; actions related to industrial preparedness to meet emergency requirements; system support, furnishing systems status information and engineering support on special and designated programs; engineering, except quality engineering."

"3.22 - Contract Administration - Management of assigned contracts to assure that a contractor's total performance is in accordance with his contractual commitments and

that the obligations of the Government are fulfilled. This management is conducted within the framework of delegated contracting officer responsibility and authority, and includes support of buying organizations; actions required in relation to the cessation or cancellation, in whole or in part, of work under a prime contract, or a subcontract, thereunder, for the convenience of, or at the option of the Government; property administration and disposal of contractor inventory."

"3.23 - Quality Assurance - Actions to determine that contractual quality requirements are met and to insure control of the quality and reliability of material and services procured on contracts, including evaluation, appraisal, and verification of the adequacy of the contractor's quality system; control of quality related to manufacturing operations, nonconformity materials and components; incoming materials and supplies, inspection and testing during the manufacturing cycle, and correction of causes of substandard quality."

"3.24 - Industrial Security - Actions related to internal security and protection of classified information and material in possession of United States industry, including enforcement of policy and procedures established for safeguarding the classified information; the investigation of the safeguarding methods used by contractors; granting of personnel and facility security clearances; investigations of security violations."

"3.25 - Contractor Payment - Actions related to payment of contractor's invoices."

Several of the tasks in the current definition of Contract Administration are discussed briefly in this paragraph and more extensively elsewhere. Pre-award surveys, safety, industrial security and all other aspects of field Contract Administration and Industrial Preparedness Planning Program are discussed in Paragraph V, Excluded Functions. Some aspects of quality assurance, transportation, packaging and preservation are discussed in Paragraph E, Technical Support--Primary.

2. Findings and Analysis

a. Evaluation of Current Definition

Contract Administration as defined in DoDI 7220.17 is a summary function which is divided into the five separate functions of Production, Contract Administration, Quality Assurance, Industrial Security and Contractor Payment. Field research disclosed that some of these functions are performed by both the purchasing office and by Contract Administration Services (CAS) offices. Other functions are performed only by CAS offices. The current definition neither recognizes nor identifies these separate roles. Based on data in the Compendium of Inventory Control Point Management Information, the post-award functions performed by purchasing offices or their agents represent on an average less than 30% of the total procurement costs and less than 8% of the total direct ICP cost. From the point of view of purchasing offices, field research did not indicate a management need for more than one post-award function. Most Components did not utilize the full range of prescribed cost accounts.

CAS activities were not included in the field research. Contract administration is their basic mission and the amount of resources involved is substantial and unique and may require CAS activities to have more functional breakouts. Consequently, separate functions are established for purchasing offices and for CAS offices. A single function of Purchasing--Post-award--Primary is established for purchasing offices. The current five DoDI 7220.17 Contract Administration functions are retained for CAS activities as discussed further in Paragraph V, Excluded Functions.

The current cost accounts provide a separate specific account for Contractor Payment. ICPs generally did not utilize this account; therefore, the total cost of contract administration was not recorded. Contractor payment for the Navy is performed by ICAs; i.e., Regional Finance Offices rather than by the ICP. Further, ICPs generally did not include Purchasing--Post-award--Primary tasks performed by other organizational elements such as legal. Since the majority of the Small Business and printing efforts are related to Purchasing--Pre-award--Primary, the total cost and man-hours should be charged to the Pre-award function rather than allocating them between the two functions.

The present Cost Account structure differs notably from the division into pre-award and post-award categories. Pre-award surveys and price cost analysis are included in Contract Administration. With the separation of purchasing offices from CAS offices in the cost account structure, no basis for retaining these tasks in a post-award function was observed.

b. Revisions

Analysis of the tasks performed by the purchasing organizations of the ICPs visited indicates a need to establish separate cost accounts for purchasing offices and for CAS offices. On the other hand, a need to divide post-award tasks into multiple functions does not exist and a single Purchasing--Post-award--Primary function will suffice. The objective is to establish a post-award function encompassing all tasks performed by a purchasing activity or its agent subsequent to the initial execution and distribution of a contract through the closing of the contract file without regard to organizational placement. This combined function accounts for the tasks performed by legal, and finance and accounting, as well as those performed within the purchasing organization. The post-award portions of Small Business and printing tasks are relatively small and are included in Purchasing--Pre-award--Primary to preclude a difficult allocation between the two functions.

Purchasing tasks performed in support of Research and Development, and local installation support are excluded. Tasks performed by CAS offices are excluded.

Transferred tasks:

Pre-award surveys performed by purchasing offices (transferred to Purchasing--Pre-award--Primary).

Cost and price analysis performed by purchasing offices prior to initial contract execution (transferred to Purchasing--Pre-award--Primary).

Quality assurance, transportation, preservation and packing tasks performed by purchasing activities (transferred to Technical Support--Primary).

Added or expanded tasks:

All contract amendments and orders against IDTCs prepared by purchasing offices or their agents.

All legal reviews and actions subsequent to the initial contract award except those related to award protests.

All actions related to contractor payment by purchasing offices or their agents (excludes actions by CAS activities).

These revisions to the tasks list are essential to reflect the total effort related to the function, to achieve comparability of functions regardless of organizational placement and to separate purchasing office tasks from CAS office tasks. Because of the wide variances among purchasing offices in terms of the extent of delegation of contract administration tasks, this function is less comparable among ICPs than other functions.

c. Interface With Other Functions

The more significant interfaces of the new combined Purchasing--Post-award--Primary function are with the primary functions of Other Stock Control, Technical Support and Purchasing--Pre-award--Primary. Purchasing--Post-award--Primary interfaces with Industrial Preparedness Production Planning, Contract Administration Services, and Research and Development which are noninventory control functions or are not included in this Study. Purchasing--Post-award--Primary also interfaces with legal, and finance and accounting which are tasks under both Command and Support and Purchasing--Post-award--Primary. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where there are interfaces between functions.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Any tasks performed by Contract Administration Activities, i.e., DCAS and Plant Cognizance Activities (see Paragraph V).

Purchasing for local installation support (assigned to Command and Support).

Purchasing in support of Research and Development (see Chapter I).

Establishing and maintaining of on order and due-in records (assigned to Other Stock Control--Primary).

All tasks performed prior to the initial award of a contract (assigned to Purchasing--Pre-award--Primary).

3. Assessment. The current summary function of Contract Administration as defined in DoDI 7220.17 does not distinguish between the role of purchasing offices and CAS offices. The current division into five separate functions may be desirable for CAS offices, but is unnecessary for purchasing offices. To achieve homogeneity and greater comparability, a single purchasing office post-award function is established and its task list has been expanded to specify tasks which are frequently performed outside the procurement organization, including ICAs. Some portions of Small Business and printing tasks support the post-award function; however, these are not significant enough to warrant special allocation and are included in Purchasing--Pre-award--Primary. Purchases in support of Research and Development and local installation requirements are excluded. The revised definition and task list provide a more accurate and homogeneous alignment than the old definition; however, the degree of comparability is less than desired, primarily, because of the differences in the extent that various purchasing offices delegate tasks to CAS activities.

4. Proposed Definition and Task List

Definition: PURCHASING--PRE-AWARD--PRIMARY - The tasks performed by PICAs and ICAs related to the central purchasing of supplies and services to support wholesale management requirements (excluding Research and Development, and local installation requirements) after initial execution and distribution of a contract through the closing of the contract file.

Tasks include:

a. Definitizing letter contracts.

b. Accomplishing pricing of unpriced orders.

c. Preparing and issuing contract modifications.

d. Issuing delivery orders against Indefinite Delivery Type Contracts (includes Federal Supply Schedule Contracts).

e. Reviewing contracts to assure compliance with applicable laws and regulations.

f. Assisting contractors and subcontractors in interpretation of contract.

g. Determining facts and initiating actions regarding cost, performance, schedules, and incentives.

h. Processing requests for contract changes or waivers and deviations.

i. Accomplishing actions relating to nonconforming materiel.

j. Negotiating and processing supplemental agreements, change orders, and modifications.

k. Completing and filing contractual documents; maintaining contract folders; and processing folders for retirement.

l. Accomplishing actions relating to contract termination.

m. Authorizing and administering Government furnished property and materials, as provided for in the contract.

n. Accomplishing actions relating to disposal of excess contractor inventory.

o. Performing production surveillance.

p. Performing engineering support of production.

q. Coordinating efforts to correct causes of substandard quality.

r. Participating in first article test and acceptance.

s. Issuing initial and amended shipping instructions.

t. Participating in post-award surveys and conferences.

u. Processing and paying contractor invoices (includes ICAs supporting purchasing offices).

v. Performing legal efforts related to contracts after initial award.

w. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Group 2--LIMITED PRIMARY INVENTORY CONTROL

I. WEAPON SYSTEM SUPPORT OVERSIGHT--PRIMARY

1. Introduction. Currently DoDI 7220.17 does not provide a separate cost account for weapon system support. Cost Account 2.111, Item Management Operations, does include a series of tasks related to weapon system support. The tasks are "coordination of supply support to specific weapons system including the collection, assembly and evaluation of progress, and maintenance of a central service for assigned weapons systems." Other tasks under Cost Account 2.11 are discussed in Paragraph B, Item Management--Primary, and Paragraph L, Technical Support--Secondary. Weapons system *management* is also discussed in Paragraph V, Excluded Functions.

2. Findings and Analysis

Many ICPs and other activities performing ICP functions use the terms system manager, system support manager, weapon system manager, program manager, and project manager. These terms are used in varying contexts; however, their emphasis is usually on the development and preproduction phases of weapon systems and support systems. The tasks associated with these terms are discussed in Paragraph V, Excluded Functions, under the Program/Project Manager subparagraph.

In addition to the fairly common set of tasks associated with these several terms, there is another set of tasks performed at most ICPs responsible for complete weapon systems or complete support systems. These tasks generally start with the production phase and continue through the life cycle of the system. No common function title was observed during field research. The Air Force Logistics Command (AFLC) has established a separate System Management Division at each of its Air Logistics Centers (ALCs). The term system management tends to confuse or mislead because it is also frequently used in association with the tasks performed during the development and preproduction phase. The

responsibilities of the System Management Divisions are related to complete weapon system or support systems and not to the management of the individual components and parts. Thus there is a clear delineation between the responsibilities of the "system manager" and the "item manager" who is responsible for the function discussed in Paragraph B above. The Army Commodity Commands and the Navy "Hardware" Systems Commands performed tasks similar to the ALC's System Management Divisions; however, the clear organizational separation from item management did not exist.

To avoid the confusion frequently arising from the use of the term system management, the term "Weapon System Support Oversight" has been selected and is used in this paragraph as being descriptive of the function. The function is not a general function performed by all PICAs but is limited to those with responsibility for complete weapons systems or support systems as defined in DoD 7220.29-H, Department of Defense Depot Maintenance and Maintenance Support Cost Accounting and Production Reporting Handbook:

> "Weapon System: A final combination of subsystems, components, parts and materials which make up an entity utilized in combat, either offensively or defensively, to destroy, injure, defeat, or threaten the enemy; e.g., F-4 aircraft, FBM submarine, frigate, HAWK missile installation, Huey Cobra Helicopter (DoDD 4151.16)."
>
> "Support System: A final combination of subsystems, components, parts, and materials which make up an entity utilized in support of military missions, e.g., fleet oiler, transport aircraft, submarine tender, communications systems."

The Department of Defense has developed (through the three Military Departments) many weapons systems each with a distinct role in our national defense. Logistics support of these systems is accomplished both horizontally, through item managers, and vertically, through weapons system overseers. The goal of both is the same - to assure operational force readiness; however, the scope of their responsibilities differs greatly. A system overseer is the focal point for all problems concerning a weapons system. Customer supply problems as well as system failure or reliability problems are referred to the system overseer. On the other hand, an item manager is responsible for only a portion of any weapons system - one or more items.

Many different item managers are responsible for the items in any weapon or support system. These item managers could be at

several different ICPs including those of other Components such as DLA. If there is a system problem, the system overseer may ultimately expedite its solution through the coordination of several Item Managers with a single direction or goal.

For example, the A-7D system manager (system overseer) may deal with item managers at several Air Force ALCs, the Aviation Support Office (ASO), and several DLA ICPs. To assure adequate and timely logistics support, it may be necessary to integrate the actions and decisions of the several item managers of several organizations.

Because there are so many organizations and individuals involved in support of a weapon system, the using commands need a central point to refer all problems. The system overseer is responsible for the entire logistics support of a system. Whenever the logistics system breaks down in any area - transportation, packaging, repair, procurement - the system overseer acts to assure correction of the situation and satisfy the customer the best way possible, choosing among several possible alternatives.

The basic intent of Integrated Logistics Support (ILS) is to influence the design of proposed systems and equipment with logistics considerations so that when produced and put into use by operating commands, the system will be more reliable, maintainable, and better supportable during its operating life. The ILS Plan is a planning document prepared in the system development phase. The systems overseer participates in the development of this ILS Plan.

Weapons system NORS rates (Not Operationally Ready-Supply) and ANORS (Anticipated NORS) rates and CASREPs (Casualty Reports) have become yardsticks for measuring effectiveness of the supply system. Because they are focal points for system status, system overseers are responsible for tracking NORS hours and rates.

Whenever a major system modification is proposed, the system overseer is directly involved throughout the planning, approval, and execution. The system overseer coordinates with the Engineering Support Activity (ESA) and participates in all levels of the approval process and Configuration Control Board review. After approval of the modification, the overseer exercises control over the modification program and the funds used to accomplish it. Configuration accounting is also an important part of system oversight.

Depot level maintenance is vital to weapon systems and is usually accomplished with a prescribed overhaul program and schedule which is coordinated with the using commands. Documents which establish Interservice Support Agreements, Purchase Requests, system modification plans and schedules, programmed depot maintenance, or maintenance philosophies are the responsibility of the system overseer to develop and update, including negotiation with other sources and the depot maintenance activity for production quantities and schedules.

Once a schedule for a system depot overhaul or a modification program has been negotiated, the system overseer exercises program control to insure deadlines are met and quantities are supported. If any trade-off decisions must be made or if priorities change, he must oversee program revisions and take action. If slippage in the maintenance schedule occurs, either organic or contractual, he must act to insure support is not adversely impacted.

3. Assessment

There is a group of tasks referred to under several function titles including program/project management. This function covers primarily the development and preproduction phases and is discussed in this Chapter under Paragraph V, Excluded Functions.

The inventory of the Department of Defense is assigned for management by NSN to various ICPs. This management breakdown structure provides for "microsupport" by having one individual responsible for each item. Since each individual item is only a part of a weapon system, an alternative management concept, system oversight, is used to insure support of the entire system in the procurement and operational phases of the system life cycle. An integral part of system oversight is over all logistics support which transcends item by item management. It is another dimension in the management matrix, operating across all layers of logistics geared to provide "macro-support" for a weapons system. It is a primary function limited to the Military Services.

A goal of every logistics system is force readiness. System oversight is a vehicle for pursuing this goal. It is a vital function which integrates many facets of logistics and is the focal point for top management in evaluating the effectiveness of system support. However, system oversight is a limited primary function which must be accounted for separately from, and in addition to, item management.

4. Proposed Definition and Task List

Definition: WEAPONS SYSTEM SUPPORT OVERSIGHT--PRIMARY - The responsibility for planning, organizing, and coordinating the efforts of responsible organizational elements and individuals, beginning with the production phase and continuing through the life of the system, to assure operational readiness of a weapon system or support system through effective, timely and economical logistics support.

Tasks include:

a. Performing as the Component focal point for logistics support of assigned weapon systems.

b. Participating in preparation of the following Sections of the Integrated Logistics Support Plan: IV, Supply Support; V, Transportation and Handling; VI, Technical Data; IX, Logistics Support Resource Funds; and X, Logistics Support Management Information.

c. Keeping informed of logistics support status of assigned systems by tracking and analyzing systems readiness and deficiencies (e.g., Quality Deficiency Reports, Unsatisfactory Equipment Reports, NORS, Not Operationally Ready-Maintenance, and CASREPs). Investigating and analyzing causes of excessive failure rates (parts failure, training, supply) and determining action required to correct outstanding deficiencies. Evaluating logistics support problems and assuring adequate and timely action by appropriate functional elements to resolve such problems.

d. Preparing and submitting to higher authority status, analyses and reports concerning NORS and CASREPs.

e. Participating in the configuration management process. Maintaining status of modification application.

f. Performing modification management functions for Class I modifications until accomplished (e.g., prepares procurement request for kit procurement or initiates action to assemble kits from stock or local manufacture; maintains surveillance over kit delivery and distribution; and manages field and depot accomplishment until all affected systems are modified). Maintaining status and control of funds required to support accomplishment of modification.

g. Maintaining liaison with operating commands and other Components.

h. Maintaining liaison with all functional elements involved in Weapons Systems support, including Item Management, Technical Support, Requisition Processing, Depot Maintenance, Engineering.

i. Developing annual depot level maintenance program for assigned weapon and support systems including proposed work requirements and intervals. Negotiating with using Commands. Programming and controling funds for depot level maintenance.

j. Allocating and scheduling assigned weapon and support systems into organic or commercial depot level maintenance facilities. Initiating procurement where applicable. Exercising surveillance over production.

k. Maintaining worldwide asset visibility.

l. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Group 3--SECONDARY INVENTORY CONTROL FUNCTIONS

J. ITEM MANAGEMENT--SECONDARY

1. Introduction

Currently, DoDI 7220.17 does not provide a separate cost account for item management performed by User Components. To some extent these tasks are commingled under Cost Account 2.111, Materiel Management Operations. The materiel management operations tasks are discussed under Paragraph B, Item Management--Primary; Paragraph L, Technical Support--Secondary; and this paragraph.

DoD 4140.26-M, Defense Integrated Materiel Management for Consumable Items, Volume II, Weapon System Oriented Items, provides detailed insight into the breakout of primary and secondary tasks.

2. Findings and Analysis

With the advent of single managers and integrated management in the mid-1950s, a division of tasks related to most inventory control functions occurred. This division resulted in a

series of tasks being assigned to the "single" or integrated manager for a particular item and another series of tasks assigned to an activity for each Component using an item. This division of tasks between the primary manager and the secondary managers has not remained constant. There are some differences at this time among assignments such as the requirements computation for fuels; however, the tasks are generally uniform for a type of item.

The existence of separate primary and secondary responsibilities and the division of tasks are generally recognized where these responsibilities are assigned to different activities. Conversely, the separate roles are seldom recognized when performed by the same activity and sometimes by the same individual.

To obtain meaningful management data and to achieve comparability, it is essential that the primary and secondary roles be recognized and reported separately. For these purposes a separate secondary item management function is required. The objective is to provide a function which encompasses homogeneous tasks performed on a User Component basis and to separate these tasks from those performed on an integrated management basis including those instances when the same activity performs both the primary and secondary roles.

The new Item Management--Secondary function interfaces extensively with Item Management--Primary and to a lesser extent to other Secondary functions, i.e., Stock Control, Technical Support, and Cataloging. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where interfaces are involved.

3. Assessment

Under integrated management, the tasks related to item management are divided into separate roles: primary and secondary. When these responsibilities are assigned to different activities, the separation is generally recognized but when assigned to a single activity the two roles are seldom recognized.

In secondary management, as in primary item management, there are differences among types of item, i.e., consumables, reparables, and end items, in terms of the tasks to be performed. Integrated management of reparables and end items currently

exists on the basis of interservice agreements; however, policies and procedures are under development to extend mandatory integrated management to these types of items.

To achieve comparability and to provide meaningful management information, three separate Item Management--Secondary functions are established. These functions are:

ITEM MANAGEMENT OF CONSUMABLES--SECONDARY

ITEM MANAGEMENT OF REPARABLES--SECONDARY

ITEM MANAGEMENT OF END ITEMS--SECONDARY

4. Proposed Definition and Task List

A common definition and task list are provided for the three separate Secondary Item Management functions in order to eliminate redundancy. It is recognized that all tasks and factors do not apply to all three functions and tasks related to reparables and end items may require revision when policies and procedures for integrated management are promulgated.

Definition: ITEM MANAGEMENT (of CONSUMABLES, REPARABLES, OR END ITEMS)--SECONDARY - The secondary wholesale management of assigned items of supply to include tasks related to User Component special and War Reserve requirements, management of Prepositioned War Reserve Stocks, retail financial management and budgeting support, PICA assistance, and Component focal point for resolution of Retail and User level supply support problems.

Tasks include:

a. Managing Component Prepositioned War Reserve including requirements, funding, acquisition, distribution, and control.

b. Determining Component Other War Reserve Materiel Requirements (OWRMR).

c. Managing Other War Reserve Materiel Stock financed with appropriated funds.

d. Performing financial management and budget support.

e. Reviewing Component publications for conformance with PICA supply policies.

f. Providing program data to PICA (e.g., troop strength, flying hours, steaming hours, and ration factors).

g. Computing and providing Special Program requirements to PICAs.

h. Computing Component-wide requirements for bulk fuel.

i. Preparing Supply Support Request or comparable internal document.

j. Scheduling distribution of initial spares.

k. Performing as a Component focal point for resolution of Retail and User level supply support problems.

l. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

K. STOCK CONTROL--SECONDARY

1. Introduction

Currently, DoDI 7220.17 does not provide a separate cost account for stock control performed by User Components. To some extent these tasks are commingled under Cost Accounts 1.21, Requisition Processing; 1.22, Other Stock Control Operations; 2.141, Manual Processing of Requisitions; and 2.142, Other Stock Control Operations. The stock control operations are discussed under Paragraph C, Requisition Processing--Primary and Paragraph D, Other Stock Control--Primary.

Volume II of DoD 4140.26-M provides insight into the breakout of primary and secondary tasks.

2. Findings and Analysis

Field research disclosed that SICAs perform a limited number of stock control tasks for their Component. These tasks are related primarily to Prepositioned War Reserve Stock (PWRS) and to the initial issues under provisioning. PWRS are sometimes collocated with stocks of the PICA in order to facilitate stock rotation. When this occurs, the stock control functions are performed by the PICA as an agent for the SICA. As discussed in

Paragraph J, Item Management--Secondary, the managing Component may also be a User Component and the same activity may perform both the primary and secondary stock control tasks.

To obtain meaningful management data and to achieve comparability, it is essential that the separate primary, secondary, and agent roles be recognized and reported separately. The volume of workload and the number of personnel involved in the secondary functions do not warrant splitting stock control into requisition processing and other stock control as was necessary in the primary functions. Accordingly, a single separate secondary stock control function is established. The objective is to provide a function which encompasses homogeneous tasks performed by a User Component or its agent and to separate these tasks from those performed on an integrated management basis including those instances when the same activity acts as the PICA and SICA.

The new Stock Control--Secondary function interfaces with Requisition Processing--Primary, Other Stock Control--Primary, and the three Item Management--Secondary functions.

3. Assessment

Under integrated management stock control tasks are divided into separate roles: primary and secondary. In the secondary role, requisition processing and other stock control are combined because of the small volume of workload and number of personnel involved.

To achieve comparability and provide meaningful management information, a separate Stock Control--Secondary function is established to be used when the tasks are performed by an activity which is also the PICA as well as when the functions are performed by separate activities.

4. Proposed Definitions and Task List

Definition: STOCK CONTROL--SECONDARY - The establishment and maintenance of accountable or memorandum on hand records and due-in records of centrally managed User Component owned assets (PWRS and initial provisioning) to include: processing all documents, including requisitions, affecting stock records; coordination of physical inventories with storage activities; and the review of requisitions requiring User Component authorization.

Tasks include:

a. Performing Component requisition authorization and control prior to forwarding to PICA.

b. Preparing and submitting requisitions to PICA for delivery of initial spares to users or to SICA for consolidation and subsequent transshipment.

c. Preparing and submitting requisitions to PICA for Pre-positioned War Reserve Materiel Requirements.

d. Maintaining on-hand and due-in asset records for initital spares while awaiting transshipment to user and PWRS.

e. Processing receipt, issue, and adjustment transactions.

f. Maintaining accountable and memorandum stock records.

g. Establishing and maintaining due-in asset records.

h. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

L. TECHNICAL SUPPORT--SECONDARY

1. Introduction

Currently, DoDI 7220.17 does not provide a separate cost account for technical support performed by User Components. To some extent these tasks are commingled under Cost Account 2.111, Materiel Management Operations and 2.112, Technical Support. Technical support is discussed under Paragraph B, Item Management--Primary and Paragraph E, Technical Support--Primary.

Volume II of DoD 4140.26-M provides insight into the break-out of primary and secondary tasks.

2. Findings and Analysis

Field research disclosed that there is a substantial list of technical support tasks performed by User Components. These tasks range from the initial determination during provisioning that the item is required for support to the determination that the Component no longer has a use for the item. Many of the tasks performed are either collaborating on technical matters for the User Components or providing technical assistance to the PICA.

The existence of separate primary and secondary responsibilities is generally recognized where these responsibilities are assigned to different activities. The separate roles are seldom recognized when the PICA also represents a User Component.

To obtain meaningful management data and to achieve comparability, it is essential that the separate primary and secondary roles be recognized and reported accordingly. For this purpose a separate secondary technical support function is required. The objective is to provide a function which encompasses homogeneous tasks performed on a User Component basis and to separate those tasks performed on an integrated management basis including those instances when the same activity performs the PICA and SICA roles.

The new Technical Support--Secondary function interfaces extensively with Technical Support--Primary and to a lesser extent with Item Management--Secondary and Cataloging--Secondary. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where interfaces are involved.

3. Assessment

Under integrated management the tasks related to technical support are divided into two separate roles: primary and secondary. When these responsibilities are assigned to different activities, the separate roles are generally recognized but when both the integrated manager and User Component responsibility are assigned to a single activity the two roles are seldom recognized.

To achieve comparability and to provide meaningful management information, a separate Technical Support--Secondary function is established to be used when an activity is also the PICA and when the functions are performed by separate activities.

4. Proposed Definition and Task List

Definition: TECHNICAL SUPPORT--SECONDARY - Providing technical support by a User Component to its functional areas of secondary management and to Retail and User Levels of the Component and to the PICA including responsibilities for provisioning range and depth determinations, User Component technical authority, and preparation and maintenance of allowance lists.

Tasks include:

a. Participating in provisioning including determination of range and depth of support items (does not include International Logistics support).

b. Providing application data to PICA.

c. Reviewing proposals for newly developed items for type classification.

d. Collaborating on interchangeability/substitutability determination.

e. Reviewing and forwarding Materiel Deficiency Reports to PICA.

f. Making initial code determination for Supply Support Requests or comparable internal documents including Acquisition Advice Code; Item Management Code; Procurement Method Code; Source, Maintainability and Recoverability Codes; Interchangeability Code and Substitutability Code; and Shelf Life Codes.

g. Determining and assigning condemnation codes, maintenance replacement factors, and mean time between failure rates.

h. As User Component technical authority, providing technical support to PICA, e.g., providing new and revised technical data; application data; determining acceptability of substitute offered by manufacturer or PICA; determining acceptability of deviations, modified items or waivers; obtaining and providing engineering coordination.

i. Developing, revising, and maintaining data for technical publications.

j. Evaluating standardization proposals; recommending development of new or revised specifications or standards; and collaborating on Sections II and III of proposed new or revised FIIGs.

k. Analyzing failure reports and unsatisfactory equipment reports; proposing materiel improvement projects; and coordinating action with Engineering and the Configuration Control Board.

l. Preparing and maintaining allowance lists, initial outfitting lists, equipment lists, and load lists (does not include Tables of Allowance or Tables of Organization and Equipment).

m. Performing as the Component focal point for resolution of Retail and User level technical support problems.

n. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

M. CATALOGING--SECONDARY

1. Introduction. Currently, DoDI 7220.17 does not provide a separate cost account for cataloging tasks performed by User Components. To some extent these tasks are commingled under Cost Account 2.12, Cataloging. The total cataloging functions are discussed under Paragraph F, Cataloging--Primary; Paragraph O, Cataloging--Component-wide; Paragraph P, Cataloging--DoD-wide; and this paragraph.

2. Findings and Analysis

a. Evaluation of Current Definitions

The current DoDI 7220.17 cost accounts do not recognize the difference in cataloging responsibilities of an activity assigned an item for primary management from those of an activity representing a User Component.

A number of Service activities visited had difficulty delineating between primary and secondary tasks because the activity was the primary manager and also performed the tasks for their Service as a user. The two roles are more readily recognized when performed by separate activities, for example, when the Defense General Supply Center (DGSC) has the primary management assignment for an item and the Army General Materiel and Petroleum Activity (GMPA) has the secondary management assignment for the Army. Most Military Service ICPs perform the secondary function for the items for which they have primary responsibility. In addition many Military Service ICPs also are assigned the secondary cataloging responsibility for items under integrated management of another Component.

Many of the primary and secondary tasks are similar, varying as to the originator and the reviewer. For example, the assignment of the FSC and item name for a new item are usually performed by the User Component activity whereas the review, validation and submission is done by the PICA. Military Service peculiar catalog management data are the responsibility of the User Component Activity, whereas standard catalog management data are the responsibility of the assigned PICA.

Most DLA ICPs do not have User Component responsibilities. The Army has assigned User Component responsibilities to GMPA for most DLA integrated managed items. The Navy, Air Force and Marine Corps generally assign User Component responsibilities to an activity which is also a PICA.

Other tasks are performed by User Components on a Component-wide rather than an individual item basis. These tasks are usually assigned to a single activity which does not have item management assignments. These tasks are performed for all items used by the Component without regard to the management assignment.

b. Revision. Analysis of tasks performed by the various cataloging activities indicated a need to establish four distinct cataloging functions: Primary, Secondary, Component-wide, and DoD-wide. Only Cataloging--Secondary is discussed here. The other functions are covered in separate paragraphs of this Chapter. To achieve comparability, it is essential that the tasks of secondary management be identified and clearly delineated from Primary and Component-wide functions. The objective is to establish a function which encompasses homogeneous tasks performed by all SICAs or their ICAs regardless of Component. When the User Component is also the managing Component, the tasks are still assigned to separate functions.

c. Interface With Other Functions

The more significant interfaces of the new Cataloging--Secondary function are with Item Management--Secondary and Technical Support--Secondary. Cataloging--Secondary also interfaces with Primary, Component-wide and DoD-wide cataloging functions. The closest and most indiscernible relationship is between Primary and Secondary cataloging functions. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where interfaces are involved.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Prepare and revise item identification and obtain NSNs (Cataloging--Primary).

Prepare and submit new and revised data for the Federal Catalog file except Service peculiar catalog management data (Cataloging--Primary).

Publication of Federal Supply Catalogs (Cataloging--DoD-wide).

Publication of Component Catalog data (Cataloging--Component-wide).

3. Assessment

There are specific cataloging tasks which are the responsibility of each Component registered as a user of an item. The current Cost Account 2.12, Cataloging, does not distinguish between these user related tasks and PICA responsibilities. Navy, Air Force and Marine Corps activities usually perform both sets of tasks and therefore the current cost account does not provide comparability.

To achieve comparability and to include the total performance of the cataloging function, four separate functions are established: Cataloging--Primary, Secondary, Component-wide and DoD-wide which are discussed in Paragraphs F, M, O, and P, respectively.

4. Proposed Definition and Task List

Definition: CATALOGING--SECONDARY - The initiation of or collaboration on catalog actions from a User Component perspective, including the development and submission of User Component peculiar catalog management data and collaboration on catalog actions proposed by the PICA or another SICA for items with registered user interest.

Tasks include:

a. Determining and assigning FSC and item name to new items.

b. Collaborating on catalog actions proposed by PICA or other SICA.

c. Developing and forwarding User Component peculiar catalog data and proposed catalog changes to PICA.

d. Maintaining local manual and mechanized SICA catalog files.

e. Performing as the User Component coordinating activity on proposed new and revised FIIGs and AINs.

f. Instructing contractor personnel on FSC classification principles and provisioning screening.

g. Preparing and submitting, or arranging for provisioning screening requests.

h. Determining and notifying PICA that Component is to be added or deleted as a user.

i. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Group 4--COMPONENT-WIDE AND DOD-WIDE INVENTORY CONTROL

N. STOCK CONTROL--DoD-WIDE

1. Introduction. Currently, DoDI 7220.17 does not provide a separate cost account for stock control tasks performed on a DoD-wide basis. To some extent these tasks are commingled under Cost Account 2.141, Manual Processing of Requisitions, and Cost Account 2.142, Other Stock Control Operations. The total stock control functions are discussed under Paragraph C, Requisition Processing--Primary; Paragraph D, Other Stock Control--Primary; Paragraph K, Stock Control--Secondary; and this paragraph.

2. Findings and Analysis

The Defense Automatic Addressing System (DAAS) is an automated system for routing logistics data traffic, and provides document processing and data information services. The Defense Automatic Addressing System Office (DAASO) is responsible for central system design, programming, operation and maintenance of DAAS, and compilation and dissemination of DAAS statistical data.

The role of DAAS has expanded considerably from its initial prime mission as a logistics data routing system. DAAS now edits requisitions, cross-references part numbers to NSN, converts media including to hard copy for mailing, operates the Defense European and Pacific Redistribution Activity (DEPRA), and operates the Military Supply and Transportation Evaluation Procedures (MILSTEP) Central Data Collection Point (CDCP).

DAAS supports PICAs and SICAs. These support tasks cover both requisition processing and other stock control transactions. It would be impractical to accumulate management

information separately for each PICA and SICA supported. Because of the substantial role of DAASO in wholesale inventory control functions, a separate function is established to permit collection of the total workload and cost at the DoD level.

Since DAASO is an activity and not a function, not all tasks performed by DAASO fall within the Stock Control--DoD-wide function. The functions discussed in Paragraph S, Functional Management; Paragraph T, Data Systems Development and Operations; and Paragraph U, Command and Support, also apply to DAASO.

This new Stock Control--DoD-wide function interfaces with several other functions, including Requisition Processing--Primary, Other Stock Control--Primary and Stock Control--Secondary. The new function is limited to those activities performing specialized tasks on a DoD-wide basis irrespective of item management assignment. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where interfaces are involved.

3. Assessment. There are a number of stock control tasks performed on a DoD-wide basis by specialized activities such as DAASO. It is not practical to collect workload and cost by each PICA and SICA supported. In order that the total inventory control costs can be determined at the DoD level, a separate function for Stock Control--DoD-wide is established.

4. Proposed Definition and Task List

Definition: STOCK CONTROL--DoD-WIDE - The receipt, processing, and routing of logistics data on a DoD-wide basis, including source of supply determination, editing of requisitions, part number screening and screening of potential overseas excess assets for redistribution.

Tasks include:

a. Routing logistics data, e.g., MILSTRIP, MILSTRAP, MILSBILLS, and intra-Component transactions.

b. Editing requisitions for completeness and validity of codes.

c. Screening part numbered requisitions for existence of NSN.

d. Performing DEPRA operations.

e. Maintaining and disseminating Department of Defense Activity Address Directory (DoDAAD) and Military Assistance Program Address Directory (MAPAD) address information.

f. Establishing and maintaining Defense Intransit Item Visibility System files.

g. Operating the MILSTEP Central Data Collection Point.

h. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

O. CATALOGING--COMPONENT-WIDE

1. Introduction. Currently, DoDI 7220.17 does not provide a separate cost account for cataloging tasks performed on a Component-wide basis by User Components. To some extent these tasks are commingled under Cost Account 2.12, Cataloging. The total cataloging functions are discussed under Paragraph F, Cataloging--Primary; Paragraph M, Cataloging--Secondary; Paragraph P, Cataloging--DoD-wide; and this paragraph.

2. Findings and Analysis

The Army, Navy, Air Force, and Marine Corps each has a central cataloging activity. These activities maintain a catalog file of all items for which the Component has an interest. These files are used to publish supply bulletins, hazardous item lists, master reparable items list, and other catalog type publications. Some Components also use their file to provide catalog transactions in a Component prescribed format to update retail level mechanized systems.

The current DoDI 7220.17 Cost Account 2.12, Cataloging, does not specifically list the tasks performed by the Component central cataloging activities with the exception of compilation of Federal Catalog Sections and allied publications. The compilation and publication of Federal Catalog Sections is being transferred to DLSC under DIDS.

To achieve comparability and to provide for the total performance of the cataloging tasks, a separate function for Component-wide cataloging is required. The objective is to provide a function which encompasses homogeneous tasks performed on a Component-wide, rather than individual item, basis and to separate these tasks from those performed on a DoD-wide basis.

The new Cataloging--Component-wide function interfaces with each of the cataloging functions, i.e., Primary, Secondary, and DoD-wide. The tasks listed in Paragraph 4 are provided to delinate functions, particularly where functional interfaces are involved.

3. Assessment

Each of the Military Services has a central cataloging activity performing cataloging and cataloging related tasks on a Component-wide basis. The current DoDI 7220.17 Cost Account 2.12, Cataloging, does not specifically list the tasks performed by the Component central cataloging activities, except for the compilation of Federal Catalog Sections and allied publications, a task being transferred to DLSC under DIDS.

To achieve comparability and to include the total performance of the cataloging functions, four separate functions are established: Primary, Secondary, Component-wide, and DoD-wide which are described in Paragraphs F, M, O, and P, respectively.

4. Proposed Definition and Task List

Definition: CATALOGING--COMPONENT-WIDE - The development of cataloging guidance and procedures, and the maintenance and dissemination of catalog data, other than Federal Supply Catalogs, on a Component-wide basis including Component master catalog files, distribution of catalog data to update mechanized systems, and Component central point of contact on catalog matters.

Tasks include:

a. Providing overall guidance and procedure for Component cataloging program.

b. Performing as Component central point of contact or DoD catalog and related programs.

c. Maintaining Component central catalog data bank and master catalog records.

d. Compiling, editing, and distributing Component catalog and allied publications such as interchangeability and substitutability lists, master reparable item list and hazardous item lists (excludes Federal Supply Catalog publications).

e. Preparing and disseminating catalog transactions in required formats for updating Component mechanized systems world-wide.

f. Furnishing data to DLSC for publication in the Introduction to the Federal Supply Catalog.

g. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

P. CATALOGING--DoD-WIDE

1. Introduction. Current Cost Account 2.21, Cataloging, a subdivision of Cost Account 2.2, Defense Logistics Service Center, covers this function. The definitions contained in DoDI 7220.17 are:

"2.2 - Defense Logistics Service Center - Functions performed by the Defense Logistics Service Center."

"2.21 - Cataloging - Includes catalog data acquisition; research and classification of items; maintenance of catalog files; preparation and revision of item identifications; compilation of Federal Catalog Sections and allied publications; development of Federal Item Identification Guides; participating in the Item Entry Control and Item Reduction Programs; NATO Codification."

The first five tasks included in the current definition are also included in the definition of Cost Account 2.12, Cataloging, and are discussed in more detail in Paragraphs F, Cataloging--Primary, and O, Cataloging--Component-wide. Other aspects of cataloging are discussed in Paragraph M, Cataloging--Secondary. Development of FIIGs is discussed in Paragraph R, Special Assignments--DoD-wide. NATO Codification is discussed in Paragraph Q, International Logistics--DoD-wide.

2. Findings and Analysis

a. Evaluation of Current Definition

The current DoDI account structure recognizes only DLSC as performing DoD-wide cataloging tasks. Field research disclosed that at least three other activities have been delegated DoD-wide responsibilities by the Federal Catalog Program Administrator. The Nuclear Ordnance Catalog Office (NOCO) performs several

of the tasks for all nuclear ordnance items that DLSC performs for other items. These NOCO tasks include maintenance of FIIGs, maintenance of a central DoD catalog data bank, and publication and distribution of Federal Supply Catalogs (usually classified). National Security Agency (NSA) and DPSC have lesser DoD-wide roles primarily related to publication and distribution of Federal Supply Catalogs for cryptologic items and for subsistence and medical items, respectively.

The current definition of Cost Account 2.21 includes several tasks, such as preparation and revision of item identifications, performed by PICAs and SICAs on an individual item basis rather than by DLSC on a DoD-wide basis. Other major tasks, such as publication and distribution of Federal Supply Catalogs, are not included in the current definition. The current definition makes no distinction between tasks performed by DLSC in its Federal Cataloging roles and its DoD Cataloging role and therefore includes costs not properly chargeable to inventory control.

b. Revisions

Analysis of tasks performed by the various cataloging activities indicates a need to establish four distinct cataloging functions: Primary, Secondary, Component-wide, and DoD-wide. Only Cataloging--DoD-wide is discussed here. The other functions are discussed in separate paragraphs of this Chapter. To obtain total cost all activities performing DoD-wide cataloging tasks must be included. Further the tasks must be clearly identified because some activities perform other cataloging functions. The objective is to establish a distinct set of tasks which are performed on a DoD-wide basis.

Transferred tasks:

Research and classification of items (transferred to Cataloging--Secondary).

Preparation and revision of item identification (transferred to Cataloging--Primary).

Development of Federal Item Identification Guides (transferred to Special Assignments--DoD-wide).

NATO Codification (transferred to International Logistics--DoD-wide).

Added or expanded tasks:

Developing and maintaining the Federal Supply Classification System.

Developing, maintaining, and publishing Federal Cataloging System manuals, handbooks, and instructions.

Developing procedures for and providing provisioning screening services.

Preparing, publishing, and distributing Federal Supply Catalogs.

Maintaining Central DoD Catalog Data Bank.

The establishment of four separate cataloging functions and the revisions to the task list indicated above are essential to achieve comparability of functions and to evaluate the total performance of the cataloging functions.

c. Interface With Other Functions

The more significant interfaces of the new Cataloging--DoD-wide function are with each of the other cataloging functions, i.e., Primary, Secondary and Component-wide, and with International Logistics and Special Assignments which are DoD-wide functions. The tasks listed in Paragraph 4 are provided to delineate functions, particularly where there are interfaces between functions.

Some tasks are excluded because they are included in other functions. To assist further in establishing a clear delineation between this function and others, several key exclusions are illustrated. The excluded tasks are:

Cataloging tasks in support of Civil Agencies (Noninventory Control from a DoD standpoint).

Cataloging tasks in support for foreign countries (assigned to International Logistics--DoD-wide).

3. Assessment

The current definition of accounts 2.2 and 2.21, Cataloging, are restricted to DLSC and do not take into account that other activities such as NOCO and DPSC also perform DoD-wide cataloging tasks. Several tasks are identical to the tasks included

in the current cost account 2.12, Cataloging, which applies to ICPs; relate to individual items rather than a DoD-wide function; and should be separately identified. The current cost account makes no distinction between the role assigned to DLSC for the Federal Catalog System and its DoD support role. The present account includes tasks performed for civil agencies and foreign governments which should not be charged to ICP operations. There are several major tasks performed on a DoD-wide basis which are not included in the current definition.

To achieve comparability and to include the total performance of the cataloging functions, four separate functions are established: DoD-wide, defined here, and Primary, Secondary and Component-wide which are discussed separately in Paragraphs F, M, and O, respectively.

4. Proposed Definition and Task List

Definition: CATALOGING--DoD-WIDE - The operation of the Federal Catalog System as it pertains to DoD (excludes Civil Agencies and foreign countries) including the development and publication of Federal Cataloging handbooks, manuals and instructions; maintenance of the DoD catalog data bank; publication and distribution of Federal Supply Catalogs; and provisioning screening and assignment of NSNs.

Tasks include:

a. Developing and maintaining the Federal Supply Classification system.

b. Developing, maintaining, and publishing Federal Cataloging System manuals, handbooks, and instructions.

c. Reviewing, approving, and publishing Federal Item Identification Guides.

d. Preparing, publishing, and distributing Federal Supply Catalogs.

e. Developing procedures for and providing provisioning and other preprocurement screening services.

f. Maintaining the central DoD catalog data bank, including item identification and catalog management data.

g. Processing requests for and controlling the assignment of NSNs.

h. Preparing management statistical reports for Components, Office of the Secretary of Defense, and Congress.

i. Developing and operating a quality assurance program for the catalog system.

j. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Q. INTERNATIONAL LOGISTICS--DoD-WIDE

1. Introduction. Currently, DoDI 7220.17 does not provide a separate cost account for tasks performed in support of International Logistics. Many of these tasks are the same or similar to tasks under Cost Account, 2.111, Materiel Management Operations; Cost Account 2.112, Technical Support; and Cost Account 2.141, Manual Requisition Processing.

2. Findings and Analysis

The role of ICPs in International Logistics has increased significantly during the last several years. During field research, many ICPs indicated recent increases in personnel authorizations specifically in support of International Logistics. One ICP visited was experiencing International Logistics issues equal in value to issues for U.S. Forces. In addition to the ICP organizations, the three Military Departments each have a central International Logistics office.

There are a number of tasks unique to International Logistics. They include negotiations with foreign countries; price and availability determinations; case management and control; and billing of foreign countries. Other tasks are similar to those performed for U.S. Forces but they are performed separately and are clearly identifiable as supporting foreign countries, e.g., provisioning. A third group of tasks are so intertwined with the same tasks performed in support of U.S. Forces as to make separate accounting impractical. Examples of such tasks are requisition processing and procurement.

Field research disclosed that there are significant differences in the extent that activities are involved in International Logistics. The central activities of the Army, Navy, and Air Force are devoted exclusively to International Logistics. Generally Army, Navy, and Air Force ICPs are also extensively involved in pricing, availability, and provisioning actions.

Responsibilities in these areas are not totally within either primary or secondary item management assignments and frequently extend into both. Normally, the PICA must provide the basic data for price and availability determinations. DLSC provides cataloging services to NATO and to other foreign countries on a bilateral basis. These services are a part of International Logistics.

In view of the facts that the Military Departments and many ICPs have an International Logistics role broader than their primary item management assignment and that the resources expended are substantial, a separate International Logistics--DoD-wide function is established. This function includes those tasks performed both by central Service activities including U.S. Army International Logistics Command, the Navy International Logistics Control Office, and the Air Force Logistics Command's Directorate of International Logistics, and those separately identifiable tasks performed by DLSC, PICAs, and their agents. Those tasks which are deeply intermingled with support of U.S. Forces such as requisition processing and purchasing are excluded from this function and are included in the respective primary function.

Analysis of tasks performed by various activities supporting International Logistics indicates need for a separate International Logistics--DoD-wide function. The objective is to establish a function which encompasses separate identifiable tasks regardless of the activity performing them. While this function does not include all tasks related to International Logistics, it assists in achieving comparability by segregating those tasks which are not common to all ICPs and not directly related to item management assignments.

The more significant interfaces of the new International Logistics--DoD-wide function are with the primary functions of Item Management, Requisition Processing, Purchasing Pre-award and Purchasing Post-award. International Logistics--DoD-wide also interfaces with Technical Support--Secondary and Cataloging--DoD wide.

3. Assessment

Significant resources are expended in support of International Logistics by PICAs, SICAs, and specialized activities. The International Logistics role of ICPs is not congruous with their item management assignments and varies significantly among activities Most tasks related to International Logistics, even when similar to U.S. Forces support, are easily identifiable. However, some tasks are so intertwined with U.S. support that it

is not practical to separate them on a continuing basis. Periodically the resources expended in support of these common tasks can be determined by using workload and cost data specified in Chapter V.

To achieve comparability and to provide management with more specific information regarding support to other than U.S. Forces, a separate International Logistics--DoD-wide function is established.

4. Proposed Definition and Task List

Definition: INTERNATIONAL LOGISTICS--DoD-WIDE - The negotiation, planning, and providing, by the Department of Defense, of whole sale inventory control logistics support to meet requirements of one or more foreign governments or international organizations.

Tasks include:

a. Determining cost and availability of end and support items requested by foreign governments.

b. Controlling and participating in authorized visits to foreign governments for both pending and active cases.

c. Developing and chairing conferences and negotiations held for Foreign Military Sales and Grant Aid matters for both pending and active cases.

d. Preparing requisitions for firm orders and distributing them to source of supply (does not include processing of completed requisitions by source of supply).

e. Identifying and providing requirements for items for delivery to foreign governments, including provisioning range and depth determination.

f. Exercising total administrative and technical responsibility for the preparation of all foreign military sales (FMS) cases.

g. Exercising specific case managership (including pending cases) for Foreign Military Sales, Grant Aid, and coproduction cases.

h. Serving as coordinator between higher headquarters, foreign governments, other Services, State Department (Agency for International Development (AID)), and overseas commands on matters pertaining to International Logistics programs.

i. Budgeting funds for International Logistics.

j. Interpreting and implementing higher authority policy and directives relative to International Logistics.

k. Preparing and submitting reports on status of International Logistics programs.

l. Accomplishing centralized billing of foreign countries and case accounting (excludes PICA billing to central International Logistics activity).

m. Cataloging in support of foreign countries.

n. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

R. SPECIAL ASSIGNMENTS--DoD-WIDE

1. Introduction. Currently Cost Account 2.13, Supply Standardization covers this function. The definition contained in DoDI 7220.17 is:

> "2.13 - Supply Standardization - Developing and coordinating plans for and conducting projects on inventory item reduction and standard item (simplification) studies and participation in the DoD Item Entry Control Program Technical Review Procedures Manual..."

The last task listed in the definition of Cost Account 2.12, Cataloging, i.e., the development of Federal Item Identification Guides, is also discussed with this function. The other aspects of of Cost Account 2.12 are discussed in Paragraph F, Cataloging -- Primary.

2. Findings and Analysis

a. Evaluation of Current Definition

Field research disclosed that there is wide variation in standardization assignments. Variations exist in the number of assignments, the scope of the individual assignments, the potential for standardization, and the number and complexity of tasks to be performed. For example, one activity was the Assignee Activity for two FSCs with relatively few items and

another was the Assignee Activity for 49 FSCs. Some major ICPs do not have any standardization roles as assignee, participating or preparing activities. Many of the assignments are on an FSC basis and include all of the items in the class even though several activities have item management assignments for the class. The current cost account does not represent a function comparable across ICPs.

The DoDI 4140.28, DoD Item Entry Control Program Technical Review Procedures Manual, January 19, 1968, was cancelled and the provisions incorporated into DoD 4130.2-M, Federal Catalog Systems Policy manual. The Defense Technical Review Activities were abolished and responsibility for item entry control was assigned to "originators/submitters of Federal Catalog System data." A major role in item entry control is now being played by ICPs with assignments as Military Parts Control Advisory Groups for the DoD Parts Control System.

There are several different roles in the standardization program. Some of these roles are considered a part of the technical support functions and are discussed in Paragraph E, Technical Support--Primary and Paragraph L, Technical Support--Secondary. The following roles are considered special assignments and therefore included in this function. The activity to which the responsibility for DoD-wide standardization of a Federal Supply Class or area has been delegated is known as an Assignee Activity. A Participating Activity is the activity designated to represent its Department/Agency in collaborative standardization effort. A Preparing Activity is the activity responsible for conducting document and study projects and for maintenance of the resultant standardization documents. Tasks performed by the Assignee, Participating and Preparing activities should be included in the special assignment function.

Another area of special assignment is the development of cataloging tools, primarily Federal Item Identification Guides and Approved Item Names. These assignments are made on a DoD-wide basis, similarly to the way standardization assignments are made. FIIG and AIN responsibilities cover an FSC or group of items. Assignments of such responsibilities do not coincide with item management assignments.

To compensate for these differences, a new function should be established on a DoD-wide basis and the new function should not be part of either primary or secondary inventory control functions because it is not performed on a comparable basis by all ICPs and does not relate directly to item management assignments.

b. Revisions

Analysis of tasks performed by activities visited indicated a need to provide for a series of special assignments which are performed on a DoD-wide basis and are assigned by and prepared for the Office of the Secretary of Defense. The revised function provides for the inclusion of additional tasks and is open ended. The objective is to establish a function which encompasses all inventory control related assignments which are made on a DoD-wide basis but are not congruous with and a part of item management assignments. Since the Defense Technical Review Activity assignments have been cancelled their task has been eliminated.

Added or Expanded Tasks:

The assignment of an FSC or group of items for development of Federal Item Identification Guides.

The assignment of an FSC or group of items for development of Approved Item Names.

The assignment of an FSC or group of items for participation in the DoD Parts Control System as the Military Parts Control Advisory Group (MPCAG).

c. Interface with Other Functions. The more significant interfaces of the new Special Assignments--DoD-wide function are with Technical Support--Primary and Secondary; Cataloging--Primary, Secondary and DoD-wide; and with the excluded functions of Research and Development.

3. Assessment

There are wide variances in standardization assignments in terms of scope, potential and complexity. There are three roles in standardization which are not a part of other ICP functions. These roles are Assignee, Participating and Preparing Activities. Some major ICPs have no standardization assignments and others have many, resulting in noncomparability. FIIG and AIN development assignments have characteristics similar to standardization assignments. Another special assignment is that of a Military Parts Control Advisory Group. Each of these assignments has DoD-wide implications; however, the assignments are not congruous with item management assignments.

To achieve comparability and accommodate inventory control tasks performed on a DoD-wide basis, a new Special Assignment--DoD-wide function is established to provide for existing and future assignments made by and performed for the Office of the Secretary of Defense (OSD) on a DoD-wide basis but not directly related to an item management assignment.

4. Proposed Definition and Task List

Definition. SPECIAL ASSIGNMENTS--DoD-WIDE - The responsibility for the execution of a special inventory control mission assigned by and performed for OSD on a DoD-wide basis and not directly related to an item management function, including assignments as a Standardization Assignee, Participating or Preparing Activity.

Tasks include:

a. Participating in the development of standardization program analyses.

b. Conducting or participating in item reduction studies.

c. Developing and proposing item standardization codes.

d. Conducting or participating in engineering practices studies.

e. Reviewing, validating, and updating overage standardization documents.

f. Performing as a Military Parts Control Advisory Group under the DoD Parts Control System.

g. Preparing and submitting standardization accomplishment reports.

h. Developing, coordinating, and maintaining assigned FIIGs.

i. Developing, coordinating, and proposing Approved Item Names.

j. Collaborating as FIIG initiating activity on AINs proposed by other activities.

k. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Group 5--FUNCTIONAL MANAGEMENT (OVERHEAD)

S. FUNCTIONAL MANAGEMENT

1. Introduction. Currently Cost Accounts 2.19, Inventory Control Support; 2.29, Over-all Management and Support; 3.19, Over-all Management; and 3.29, Over-all Management, cover this function. The definitions contained in DoDI 7220.17 are:

"2.19 - Inventory Control Support - Includes the over-all supervision, clerical, service support and special program effort applicable to inventory control point mission operations but not identified to other specific cost accounts within the 2.1 series of accounts."

"2.29 - Over-all Management and Support - Supervision, clerical and service support that is applicable to more than a single functional area within the Defense Logistics Service Center."

"3.19 - Over-all Management - Over-all management of the procurement function, including: formulation of policy; advance procurement planning; the coordination with requirements; fiscal, legal, logistics and other internal organizations; the coordination with higher echelons at the Military and Defense Department levels, General Accounting Office, Defense Supply Agency, other agencies, and Congressional sources; preparation of procurement reports for higher authority; and the supervision, clerical and service support that is applicable to more than a single functional area within Procurement Operations."

"3.29 - Over-all Management - Over-all management of the Contract Administration function including general supervision, clerical and support services applicable to more than a single functional area within Contract Administration operations."

Overall support provided on an activity-wide basis such as data systems and base operations is discussed in Paragraph T, Data Systems Development and Operations, and Paragraph U, Command and Support.

2. Findings and Analysis

a. Evaluation of Current Definitions

The primary purpose of the several current overall management accounts is to provide for the inclusion of tasks which are indirect or overhead in character. Each account is limited to tasks performed by mission organizational elements and does not include support provided on an activity-wide basis. The definitions of the current accounts fall into two groups. Cost Account 2.19 includes supervision, clerical, service support and special program effort applicable to the inventory control point mission but not identified to other specific cost accounts. The other three cost accounts include similar tasks applicable to more than a single functional area. Field research disclosed that the latter approach resulted in wide variations as to what was included. The variances resulted in part from differences in organizational arrangements but were also due to differences in practices. Some activities charged all tasks possible to the direct functional accounts even when proration was required. Others charged the maximum to the overall account. Consequently, meaningful analysis and comparison of functions or overhead costs could not be made.

Functional overhead accounts should serve two major purposes. The accounts should provide for accumulation of performance data which are comparable and permit DoD-wide analysis. The accounts should also facilitate the periodic allocation of overhead data to the appropriate direct mission function accounts.

b. Revisions

Analysis of the tasks performed by mission organizational elements indicates a need to establish separate cost accounts for functional management overhead tasks. For ease of data collection and to facilitate allocation of overhead data to applicable direct functions, a separate functional management overhead account is established for each major functional area (e.g., materiel management, procurement, and noninventory control missions).

The revised functional management accounts are patterned after Cost Account 2.19 in that specified tasks are always included whether they support one or more than one mission function. Frequently, a mission organizational element performs functional management tasks in support of both inventory

control and noninventory control functions. Such support initially will be accumulated together and subsequently allocated.

The following types of support are considered as functional management and will always be included in the appropriate overhead function even when supporting a single direct function.

(1) Supervision. Heads of organizational elements and supervisors above the lowest or first level supervisor (based on position description), who are more likely to be full fime supervisors. Those at first level and below (e.g., working leaders) who may also perform direct mission tasks would have to prorate their time between direct mission and overhead functions if they were included in overhead functions.

(2) Management. Management support, plans, programs, methods, and studies which are usually performed at the directorate or division level. These tasks may be performed by a separate organizational entity within the directorate or division or by personnel assigned to the director or chief. Some tasks may also be performed at lower organizational levels by clerical personnel, supervisors or others as additional duties.

(3) Administrative Services. Administrative support includes tasks performed within the directorate or division such as internal distribution of mail; obtaining and distributing supplies; maintaining libraries and correspondence files.

(4) Clerical Support. Clerical support for any of the three areas of functional management. It encompasses secretaries, clerk-typist, and other clerical personnel performing general clerical tasks such as answering telephones and greeting office visitors, typing and filing administrative correspondence and maintaining time cards. It excludes the clerical portion of tasks performed as a part of a direct function (e.g., typing procurement documents, filing requisitions). It also excludes clerical support for first level supervisory personnel (e.g., working leaders) which will be included in the direct mission functions.

The following types of tasks are excluded from functional management overhead functions:

First level supervisors and their clerical and administrative support; these tasks will be included in the direct mission functions performed by the first level organization.

Activity overhead tasks which are performed by organizations whose entire or prime purpose is to provide support on an activity-wide basis (e.g., the installation/activity commander and his staff; installation/activity or area civilian and military personnel offices; administrative services offices; communications offices; plans and management offices, installation supply and purchasing offices; safety, fire and police services; installation maintenance and utilities; installation-wide transportation services; and pay of personnel).

Tasks which contribute directly to the performance of any function other than overhead, even though reporting may require proration of resources expended, and even though these tasks are performed in an "overhead" type of organizational element. For example, typing of procurement documents, opening and abstracting of bids, and maintaining files of contractor performance history information are usually performed by clerical personnel. These are all direct tasks included in the "Purchasing--Pre-award--Primary" function rather than in an overhead function.

c. Interface with Other Functions. Functional management overhead interfaces with the direct functions and with activity-wide support. For the most part, functional management personnel perform overhead tasks that should be easily and readily identifiable However, on occasion the same person performs direct mission tasks and overhead tasks (e.g., a central files area that maintains both administrative files and contract files). These are more difficult, but not impossible, to identify separately.

3. Assessment

There are significant variances in the definition of the four, current overall management accounts. Further, the current definitions and differences in organizations and interpretation have resulted in the collection of noncomparable data.

To achieve homogeneity and comparability, the tasks lists have been revised to provide a common set of tasks which apply regardless of organizational arrangements and whether one or more than one direct mission function is supported. The three areas of functional management are:

MATERIEL MANAGEMENT FUNCTIONAL MANAGEMENT

PROCUREMENT FUNCTIONAL MANAGEMENT

NONINVENTORY CONTROL MISSION FUNCTIONAL MANAGEMENT

Performance data collected under the Functional Management accounts will be periodically allocated to the appropriate direct mission function accounts.

4. Proposed Definition and Task List

A common definition and task list are provided for the three Functional Management overhead accounts in order to eliminate redundancy.

Definition: FUNCTIONAL MANAGEMENT (MATERIEL MANAGEMENT, PROCUREMENT, AND NONINVENTORY CONTROL MISSIONS) - Providing management support within a major mission organizational element, such as a directorate or division, for the performance of one or more direct mission functions to include tasks related to management, administrative support and to supervision above the first line supervisor. Does not include any tasks identified as part of the direct mission function and support provided by other organizational elements on an activity-wide basis.

Tasks include:

a. Performing supervision (based on position description) above the lowest or first level.

b. Developing, implementing, and maintaining plans, programs, policies, and procedures.

c. Participating in the development of operating budgets and justification of resource requirements.

d. Conducting studies, reviews, and analyses of internal operations, performance, and problems; and recommending action.

e. Coordinating Directorate or Division participation in cost reduction, performance improvement, manpower management improvement, performance standards, work simplification, suggestion programs, personnel award, and related special programs; participating in the development of computer systems requirements; training requirements and programs; and responding to external inquiries.

f. Monitoring of performance information reporting and presentation of management information.

g. Controlling of manpower and related actions.

h. Performing special projects and work assignments which are outside the usual scope of other tasks.

i. Providing mail service within a functional organization, including correspondence suspense, classified document control, and data processing products.

j. Obtaining and distributing office supplies, forms, and publications.

k. Maintaining reference library of required publications and files of administrative correspondence.

l. Maintaining and/or consolidating and submitting time and attendance records, and distributing of salary checks and bonds.

m. Preparing and submitting requests for personnel action, travel orders and vouchers, requests for changes in telephone service or listings, and other routine administrative paperwork.

n. Assisting in the administration and conduct of savings bond and fund raising campaigns.

o. Providing clerical support for those performing the above tasks. Includes secretaries, clerk-typists, and other clerical personnel performing general clerical tasks such as answering telephones and greeting office visitors, typing and filing administrative correspondence, and maintaining time cards. Excludes the clerical portion of tasks included in any function other than "overhead," such as typing procurement documents, and filing requisitions.

p. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Group 6--ACTIVITY-WIDE SUPPORT (OVERHEAD)

T. DATA SYSTEMS DEVELOPMENT AND OPERATIONS

1. Introduction. Currently DoDI 7220.17 does not provide a separate cost account for data systems development and operations tasks. Nor does it require the costing of data systems development and operations to the functions supported. These

tasks are usually included under program elements other than 711120, Inventory Control Point Operations, and 711130, Procurement Operations.

2. Findings and Analysis

Developing and programming data systems are becoming more and more centralized. For most Components, a single activity is assigned responsibility for the development of a segment or an entire standard system. Most standard systems are applicable to more than one activity. Most Components permit limited local applications to be developed by individual activities. System modifications occur frequently. Complete system redesign occurs infrequently and the benefits of a new system accrue over a period of years.

Data systems organizations perform more and more tasks which were formerly an integral part of the direct functional operations. Data systems organizations in support of the 20 major ICPs cost over $70 million in Fiscal Year 1973. Frequently the exception cases are still handled in the direct functional area for tasks which are accomplished routinely by computers. Examples of the former direct functional tasks now performed extensively by computers include requisition processing, requirements computation, purchase request preparation, and purchase order preparation. At several activities visited a portion of the source data automation was accomplished by personnel within the direct functional organization and another portion accomplished on a central service basis within the data processing organization. While most PICAs receive extensive data processing support, the specific applications and functions supported vary significantly. Data processing organizations usually service noninventory control and overhead functions as well as inventory control functions.

3. Assessment

Data systems organizations perform a significant role in the accomplishment of PICA and SICA functions. The extent of this role and the specific functions supported vary among activities. Data systems development is frequently accomplished on a centralized basis in support of several activities. Development costs incurred in one year frequently apply to systems in operation for several subsequent years. It is not feasible to charge back the development cost to individual PICAs and SICAs or to individual functions.

Data processing organizations perform many tasks specified as part of the direct PICA, SICA, noninventory control, and overhead functions. The same tasks may be performed both manually and by computer at the same and different activities. To obtain total and comparable costs, data processing operations costs should be charged back to the individual direct and overhead functions supported.

Observations from field visits indicate that two data systems functions should be established:

DATA SYSTEMS DEVELOPMENT

DATA PROCESSING OPERATIONS

Data Systems Development will be allocated only at the summary account level, e.g., Inventory Control Mission, and analyzed at the Component level. Data Processing Operations will be charged back to each direct and overhead function supported, based on the number of hours of support provided, and can be analyzed at the PICA and SICA level.

4. Proposed Definitions and Task Lists

Definition: DATA SYSTEMS DEVELOPMENT - The performance of the tasks necessary to the development and installation of a data system, subsequent to management approval of the system requirements; includes computer system design and continues through programming, testing documentation and turnover of an operationally ready data system and the maintenance of that system.

Tasks include:

a. Designing systems.

b. Programming (software and application).

c. Testing and debugging.

d. Testing (environmental).

e. Implementing system.

f. Maintaining systems (corrections, changes).

g. Supervising, managing, administering, and supporting the systems development functions.

h. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Definition: DATA PROCESSING OPERATIONS - The performance of the tasks necessary to operate a data system including the conversion of source data into machine-sensible form, the storing and processing data, and the distribution of output products.

Tasks include:

a. Converting data to machine-sensible form (e.g., key punching, or optical scanning). When this task is performed by functional organizational personnel the task is included in Functional Management.

b. Operating equipment.

c. Scheduling and controlling production.

d. Collating, decollating, and binding of output product.

e. Distributing output product.

f. Supervising, managing, administering, and supporting the Data Processing Operations function.

g. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

U. COMMAND AND SUPPORT

1. Introduction. The present cost accounting system specified by DoDI 7220.17 does not include the requirements to cost the overhead (Command and Support) functions associated with the operation of the Inventory Control Point Operations or Procurement Operations (Program Element 711120 and 711130). To adequately portray total operating costs of the Inventory Control operations, elements of expense associated with the actual physical operation of a facility and the costs associated with the Command and Support staffing of an activity are required. These are basically costs which are not now charged back through the formal cost accounting system against a functional area. Data systems support is discussed separately in Paragraph T above.

2. Findings and Analysis

The tasks associated with Command and Support can be categorized into three activity-wide overhead functions: Command and Staff Elements; Base Operations; and Real Property

Maintenance and Utilities. These categories and their associated tasks observed by the Study Team while not universal at all activities are generally common. The three broad categories of associated support are defined as follows:

CATEGORY 1--COMMAND AND STAFF ELEMENTS. Includes the Commander and immediate staff, Deputy Commander, Executive Officer, Secretary of the General Staff, Protocol Office, Special Staff, Inspector General, Information and Public Affairs Office, Equal Employment Opportunity Office, Historian, Chaplain, Safety Office, Employee Health Services, Environmental Control Office, Education Office, Alcohol and Drug Abuse Prevention Office, Social Action Office, Human Relations Program Office, Legal Staff and Major Staff Elements including Comptroller and Finance, Military and Civilian Personnel, Plans, Programs, and Management.

CATEGORY 2--BASE OPERATIONS. Includes Security Protection, Administrative Vehicle Support, Administrative Services, Space Management, Property and Installation Supply, Printing and Duplicating Services, Mail Distribution Services, Records Management, Communications, Telecommunication Center Services, Telephone Services, and Base Support Procurement.

CATEGORY 3--REAL PROPERTY MAINTENANCE AND UTILITIES. Includes Fire Protection; Custodian Services; Refuse and Garbage Removal; Utilities Costs and Maintenance - Water, Sewage, Electricity, Boiler and Heating Plants; Refrigeration and Air Conditioning; Maintenance and Repair of Real Property - Administrative Buildings, Utility Plants, and Utility Distribution Systems, and Roads, Sidewalks, and Parking Lots.

All of these categories of support are present to some extent at each activity under discussion in this Study; however, there are significant differences. At certain activities the full range of command and support functions are performed and fully budgeted by the parent activity. At the other extreme are activities that receive the majority of support from a host or outside activity either on a reimbursable or nonreimbursable basis. Even in the latter case, the fact remains that these are costs associated with such operations, and in consonance with the study objectives, a portrayal of the total costs incident to the operation of an ICP activity is required. As a result, pertinent command and support must be identified, categorized by purpose, and an assessment made as to the proper method of accommodating these

overhead functions. In analyzing the various tasks involved, the recipient of the support rather than the activity providing the support should receive paramount consideration. Services provided on a contractual basis apply as well as services performed by Government activities.

Appendix C indicates that there are approximately 250 activities performing as an ICA in support of PICAs and SICAs. Of the 250 activities acting as agents, 233 have no PICA or SICA assignments. Command and support functions do exist at these activities. To minimize reporting requirements within the Inventory Control Management Information System, Command and Support functions will not be reported and allocated in support of the role of an ICA. In those limited instances when the total Command and Support related to Inventory Control functions are required, the information can be extrapolated based on the data reported by the PICAs and SICAs.

The majority of organizational elements under the Command and Staff Element category are types of organizations whose efforts are directed across the activity and lend themselves to allocation back to the activity mission functions based upon total mission personnel population supported. There are several tasks performed by organizational elements frequently considered as part of the Command and Support organization which should be charged to direct mission functions and not overhead. These tasks are provided as direct support of the mission functions and should not be included in an overhead function to be allocated on some pro rata basis. The following support tasks are to be included with the direct mission function and are listed in the appropriate functional task lists (for more detail, see previous paragraphs of this Chapter):

Small Business. All efforts of the Small Business office are assigned to Purchasing--Pre-award--Primary.

Legal. At activities visited, a major portion of the legal staff supported procurement. The remainder of the legal effort usually was in support of the activity as a whole. Legal support of procurement will be assigned to the appropriate mission function of Purchasing--Pre-award--Primary, Purchasing--Post-award--Primary, or Noninventory Control Mission for local purchase. All other legal support will be treated as overhead and included in the Command and Staff function.

Printing. At major procurement activities a significant portion of the printing effort supports procurement and should be assigned to Purchasing--Pre-award--Primary. Significant printing support of Noninventory Control Mission functions such as printing of technical manuals, should be assigned to the appropriate direct function. Other printing effort should be treated as overhead and included in the Base Operations function.

Finance and Accounting. There are two major areas within finance and accounting that support direct mission functions. Voucher examination and payment of contractors for wholesale supplies and services should be assigned to Purchasing--Post-award--Primary. All stock fund accounting including customer billing and collection should be assigned to Item Management--Primary. Industrial fund accounting should be assigned to Non-inventory Control Mission functions.

There are several tasks in the category of Real Property Maintenance and Utilities which do not lend themselves to allocation on a pro rata basis. Some of these tasks support noninventory control functions such as maintenance of storage and depot maintenance buildings which will be charged directly to Noninventory Control missions. Other tasks support a much broader population including off-base personnel or functions such as maintenance of roads and parking lots. These tasks will be treated as nonallocated and comprise a fourth category of Command and Support, "Non-allocated." Tasks which may be included in this are: maintenance of community facilities (e.g., pavements, airfields, and grounds; and railroad trackage).

There are several types of services or operations being performed at ICP activities the costs of which are regarded as not ICP related. These operations are designed to provide specific services to the military population (e.g., support of retired personnel of the geographic area). The following operations are examples of tasks that should be excluded from ICP cost consideration: officer and enlisted billeting; enlisted messing; dependent school bus; commissary stores retail sales; and retail clothing sales. Also excluded are real property construction, modification or major repair financed by Military Construction appropriations.

Each of the four Command and Support functions includes not only the direct tasks associated with the function, but also the related supervision, management, administrative and clerical support. The Data Processing Operations support discussed in Paragraph T, above will be charged back to each of the Command and Support functions prior to their allocation.

3. Assessment

To accomplish its direct mission functions, an organization requires a wide variety of overhead support. The Study objective of obtaining the total cost of performing wholesale inventory control functions includes the reporting of these Command and Support functions.

Command and Support functions can be grouped into three categories. These categories are: Command and Staff Elements which includes the Commander's immediate and special staff as well as major staff elements, Base Operations which includes services performed on an installation-wide basis other than those related to real property and utilities, and Real Property Maintenance and Utilities.

There are some tasks related to Real Property Maintenance which vary significantly from a major military reservation installation to a commercial office building installation. Other services are provided to nonmission functions. These tasks should not be allocated and therefore a fourth category is established, *Nonallocated Services*. This category includes maintenance of land (grounds), pavements, community facilities and airfields.

There are some services which are not ICP related and therefore should be excluded. These include operation of services in support of the military population such as clubs, commissaries, exchanges, quarters, messes, and hospitals. Also excluded are construction, modification or major repair of buildings funded by Military Construction appropriations.

Within the several categories of Command and Support functions, there are several tasks which in whole or in part are included as tasks under direct mission functions and are therefore not overhead. These tasks include Small Business, legal, printing, and finance and accounting.

For the purpose of this Study all specified Command and Support tasks are to be reported whether performed by the ICP activity, performed by another Government activity, or provided by contractors. Because of the large number of ICAs and the fact that their inventory control role is frequently a minor part of their mission, Command and Support data will not be required of ICAs. In those instances when the total Command and Support costs are required for ICAs, they can be obtained by

extrapolation. Unlike the direct mission functions, each of the four Command and Support functions includes the supervision, management, administrative and clerical support related to the overhead function. The four Command and Support functions are:

COMMAND AND STAFF ELEMENT

BASE OPERATIONS

REAL PROPERTY MAINTENANCE AND UTILITIES

NONALLOCATED SERVICES

4. Proposed Definitions and Tasks Lists

Definition. COMMAND AND STAFF ELEMENTS - The performance of the tasks associated with an activity Commander, his immediate and special staffs, and major staff elements of the activity whether provided by PICA, SICA, a host, or a contractor.

Tasks performed by:

a. Command and immediate staff

Deputy Commander
Executive Officer
Secretary of the General Staff
Protocol Office

b. Inspector General

c. Information and Public Affairs Office

d. Equal Employment Opportunity Office

e. Historian

f. Chaplain

g. Safety Office

h. Other Special Staff

Environmental Control Office
Education Office
Alocohol and Drug Abuse Prevention Office
Social Action Office
Human Relations Program
Employee Health Services

i. Legal Staff (less purchasing related)

j. Comptroller and Finance (less contractor payment and capital fund accounting)

k. Military and Civilian Personnel (including permanent change of station and severance pay for civilians)

l. Plans, Programs and Management

m. Supervision, Management, Administrative and Clerical Support applicable to the above.

n. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Definition: BASE OPERATIONS - The providing of services on an installation-wide basis exclusive of those related to real property maintenance and utilities. The included tasks apply whether performed by a PICA, SICA, a host, or a contractor.

Tasks performed by:

a. Physical Security Protection

b. Administrative Vehicle Support

c. Administrative Services

Defense Information Security
Space Management
Property and Installation Supply
Printing and Duplication Services (less support to procurement or other peculiar support of direct mission functions)
Copying Machines
Mail Distribution Services
Records Management

d. Base Support Procurement

e. Communications

Telecommunications
Telephone

f. Supervision, Management, Administrative and Clerical Support applicable to the above.

g. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Definition: REAL PROPERTY MAINTENANCE AND UTILITIES - The maintenance of real property and providing of utilities on an installation-wide basis whether performed by a PICA, SICA, a host, or a contractor. Excludes construction, modification or repair financed by Military Construction appropriations.

Tasks performed by:

a. Custodial Services

b. Fire Protection

c. Refuse and Garbage Removal

d. Utilities Costs and Maintenance (includes purchased utilities)

Water
Sewage
Electricity
Boiler and Heating Plants
Refrigeration/Air Conditioning

e. Maintenance and Repair of Real Property

Buildings (includes training; maintenance and production; research, development, test and evaluation; storage; hospital; and administrative buildings)

NOTE: Administrative buildings will be prorated to function according to population or volume usage. Other buildings will be assigned to appropriate noninventory control function.

Utility Plants
Utility Distribution Systems

f. Supervision, Management, Administrative and Clerical Support applicable to the above.

g. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Definition: NONALLOCATED SERVICES - The maintenance of real property utilized for serving a broader population including noninstallation mission personnel. The included tasks apply whether performed by a PICA, SICA, a host, or a contractor.

Tasks performed:

a. Maintenance of Airfields

b. Maintenance of Waterfront Facilities

c. Maintenance of Land (grounds)

d. Maintenance of Railroad Trackage

e. Maintenance of Community Facilities

Pools
Recreation

f. Maintenance of Roads, Sidewalks and Parking Lots

g. Supervision, Management, Administrative and Clerical Support applicable to the above.

h. Conducting or receiving local and off-installation (including TDY) training by personnel whose normal assignment is in this function.

Group 7--EXCLUSIONS

V. EXCLUDED FUNCTIONS

1. Introduction. The Study Plan forwarded by the Assistant Secretary of Defense (Installations and Logistics) excluded Research

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and Development, Maintenance Operations, and Storage and Distribution Operations from this Study assignment. In Paragraph 3, Scope, of Chapter I, the Study Team based on preliminary research (directives review and headquarters level research) excluded logistics headquarters operations and cost except when such headquarters are actually performing PICA or SICA functions; forms and publications management; manufacturing; and property disposal operations from the scope of this Study. As a result of field research and analysis it has been concluded that several additional functional areas should be excluded. These additional exclusions are discussed in this paragraph.

2. Program/Project Management

The exact title varies but a description of the function which is common among the Military Services is as follows:

> A concept for the technical and business management of particular systems/projects based on the use of a designated, centralized management authority who is responsible for planning, directing, and controlling the definition, development, and production of a system/project; and for assuring that planning is accomplished by the organizations responsible for the complementary functions of logistics and maintenance support, personnel training, operational testing, activation or deployment. The centralized management authority is supported by functional organizations, which are responsible to the centralized management authority for the execution of specifically assigned system/project tasks.

Although there are some differences in the way the function is performed by the Services, for the purpose of this Study the Program/Project/Product/Systems management functions will be treated as essentially one function. The function is performed by the Commodity Commands in the Army (Development Commands under the U.S. Army Materiel Development and Readiness Command (DARCOM) reorganization), by the Hardware Systems Commands and Designated Project Managers of the CNM in the Navy, and by the major divisions of offices of the Air Force Systems Command (AFSC). During the course of field research it was observed that while there are some tasks which fall within the sphere of inventory control, most of the effort was related to the development and preproduction phases. Frequently these inventory control tasks are performed

by PICA and SICA activities but under the overall direction of the program/project manager. The inventory control tasks have been associated with the appropriate functions in the preceding paragraphs of this Chapter. The remaining aspects of program/project management are excluded from the scope of Inventory Control and, therefore, from the scope of this Study.

3. Industrial Preparedness

DoDI 7220.17 defines Industrial Preparedness as follows:

> "Operations to assure the production capability required to support current and emergency programs, including actions taken by the Department of Defense to augment the production capability of the industrial base, such as development of mobilization production requirements, development of mobilization production schedules, maintenance of reserve plants and equipment, and similar activities which enhance the readiness or productive capability of our production base."

A separate Program Element, 780110, applies to industrial preparedness. DoDI 7220.17 provides seven cost accounts to cover the various aspects of Industrial Preparedness. Field research found that Components are frequently including Industrial Preparednedd Cost and man-hours under procurement cost accounts. This practice combines program elements and contributes to noncomparability. Because industrial preparedness has a separate Program Element and a distinctly separate set of cost accounts, the function was not analyzed as an "Inventory Control" task and has been excluded from this Study.

4. Contract Administration Services

DoDI 7220.17 clearly includes most Contract Administration tasks and provides six cost accounts to cover the various aspects of contract administration. Field research for this Study was limited to the "Contract Administration" performed at purchasing activities. Paragraph G and H above discuss Purchasing Preaward and Post-award as performed by buying activities. These functional descriptions include definitions of all contract administration tasks as they are performed at purchasing offices.

The vast majority of contract administration is performed by Contract Administration Services (DCAS) and Plant Cognizance

Activities. These separate DCAS and Plant Cognizance Organizations were not included in the Study effort, are excluded from the analysis of this Study, and will continue to report workload and costs as currently prescribed in DoDI 7220.17.

W. SUMMARY

The existing cost accounts and tasks performed by ICPs have been analyzed from the viewpoint of the Study objectives; that is, the functions and tasks have been analyzed with the objective of providing (1) uniform coverage of a function regardless of its organizational placement, (2) for the measurement of significant individual functions as well as total operations, and (3) a basis for comparing and evaluating the performance of ICPs through the accumulation of functional performance information.

The analysis of the current functions and tasks resulted in a number of significant modifications to the definition of functions and an essential categorization of functions. Existing functions have been combined or modified and new functions established. Major changes, resulting from the analysis, are:

** Two distinct and noncomparable roles related to an Item Management Assignment for a group of items have been identified and separated; these are "Primary [illegible]ment" responsibilities and "Secondary Management" [illegible]sibilities. This Primary-Secondary dichotomy exists for [illegible]ateriel Management functions.

** Two groups of Primary Inventory Control functions have been identified and separated; these are "General Functions" and "Limited Functions."

** Functions not related to a specific Management Assignment have been identified and separated; these are "Component-wide functions" and "DoD-wide functions."

** To enhance comparability Data Systems (development and operations) tasks have been included.

** To attain more closely the objective of total cost, Command and Support tasks have been included.

** Several Materiel Management areas have been broken into multiple functions based on the Type of Item (i.e., Consumable, Reparable, or End Item) in order to enhance comparability.

** Establishment of a separate function for the tasks unique to International Logistics. Common functions such as requisition processing and purchasing remain commingled with support of U.S. Forces.

One or more of these modifications has been provided for in each functional discussion. The redefinition and realignment of functional tasks as proposed in this Chapter should provide for uniform coverage, measurement, and performance evaluation in each of the following functional subgroups:

Item Management--Primary
Requisition Processing--Primary
Other Stock Control--Primary
Technical Support--Primary
Cataloging--Primary
Purchasing--Pre-Award--Primary
Purchasing--Post-Award--Primary
Weapon System Support Oversight--Primary
Item Management--Secondary
Stock Control--Secondary
Technical Support--Secondary
Cataloging--Secondary
Stock Control--DoD-wide
Cataloging--Component-wide
Cataloging--DoD-wide
International Logistics--DoD-wide
Special Assignment--DoD-wide
Functional Management
Data Systems Development and Operations
Command and Support

In addition, it has been recognized that some factors affecting comparability are transitory and therefore, not conducive to the establishment of separate functions. These factors are discussed and accommodated in Chapter V, Workload Measures and Performance Indicators.

Finally, three functions have been excluded from the redefinition and realignment process. Program/Project Management is excluded because analysis indicates it is outside of the scope of Inventory Control. Industrial Preparedness and Contract Administration are excluded, because these two functions were not researched in sufficient depth to permit redefinition or realignment.

CHAPTER V

WORKLOAD MEASURES AND PERFORMANCE INDICATORS

A. INTRODUCTION

1. General. The organization of this Chapter parallels Chapter IV. The purpose of the Chapter is to specify for each included inventory control function the workload measures and performance indicators associated with that function. Each functional paragraph describes the specific indicators recommended; sets forth the purpose; prescribes weighting factors, as necessary; provides the computational method; and identifies the data elements required. The detailed data requirements for each indicator are contained in Appendix D.

2. Types of Measures and Indicators. The management need for performance evaluation and the potential use of indicators is discussed in Chapter II. For inventory control mission functions, three types of indicators are recommended in this Chapter: Workload Measures to indicate the volume of workload or output, Efficiency Indicators to relate the workload or output to the resources used, and Effectiveness Indicators to measure how well the function is performed.

3. Characteristics Sought for Indicators. The following criteria were used in developing and selecting the proposed indicators:

a. Representative of the function being evaluated; representative of a significant portion of the workload performed within the function and its assigned resources; and potentially sensitive to workload and resource changes,

b. Applicable to functions and tasks performed by Inventory Control Points (ICPs) of two or more Components,

c. Susceptible to uniform definitions and description, and

d. Useful to managers in making decisions (existing useful indicators were retained).

4. Comparability and Weighting

In the development of functions discussed in Chapter IV, tasks were grouped with the objective of achieving homogeneity and comparability. As a result current functions were divided into new

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functions, e.g., item management was divided into discrete end item, reparable item and consumable item functions; and cataloging divided into discrete primary, secondary, Component-wide and DoD-wide functions. Within some of the new functions there remain factors which preclude attainment of an acceptable degree of comparability. These factors are often transitory and do not provide a practical basis for establishing additional functions.

Recognizing that the workloads associated with a function may vary in degree of difficulty or value, weighting provides a means to express and compensate for these differences and to achieve an acceptable degree of comparability. Weighting is an independent process. Data regarding a function can be recorded and reported in its pure form. Differences in "degree of difficulty" for example can be ascertained and weights can be developed as independent variables. These independent variables can be applied on a one time basis, retroactively, or continually. Each of these applications can occur without loss of the pure historical data and without changed or additional reporting by the activity performing a task.

To the extent weights are necessary or desirable, their requirement and application are pointed out in this Chapter. This Study did not include the collection of data sufficient to develop validated weights. The proposed weights are the products of field research and experience of Study Team members. However, the weights proposed and applied are not considered to be "ultimate"; they are "going-in" weights which can be modified based on positive recommendations from activity and Component managers and on analyses of data accumulated under uniform definitions. Such input and analysis must be continuous and result in the modification of suggested weights or the development of new ones.

5. Accounting for Resources. Development of comparable performance indicators depends upon consistent and uniform identification of resources expended for a specific function. Resources are expressed in dollars, man-hours or personnel equivalents. The following subparagraphs describe factors pertinent to a uniform system of resource application which will permit the development of comparable performance indicators.

a. Cost Versus Expenditure Data

Expenditures are actual expenses incurred by a reporting activity for which the activity budgets, receives allotments or suballotments of funds, controls and commits funds, and reports obligations and expenditures. Expenditures may relate to inventory control,

noninventory control or command support functions for the reporting activity or for others. Reporting activities will report total expenditures for any Program Element associated with the performance of an inventory control function or a supporting overhead function. The reporting of expenditures permits the reconciliation of cost data with the budget as discussed in Chapter VI.

Costs, actual and imputed, are those resources expressed in dollars or man-hours that are consumed or required to perform a task or function irrespective of whether the reporting activity expends funds or not. For example, when a reporting activity as a tenant receives services from the civilian personnel office of the host activity without reimbursement for the services, the reporting activity will include as a cost the value of the civilian personnel services provided.

Costs are pertinent to performance indicators because they represent the resources used to perform functions without regard to the activity actually expending the resources. Since this Chapter is concerned with developing comparable performance indicators, the remainder of the Chapter deals only with costs and not with expenditures. Chapter VI, Paragraph B, and Appendix E provide the cost account structure proposed for ICPs.

b. Personnel Resources

(1) Charging Cost to a Function. Personnel costs and man-hours must be charged to the function to which the resources are applied. There are instances where personnel are involved in more than one function and their time and cost must be split. These instances range from intermittent involvement of an item manager in requisition processing to a temporary reassignment from item management to functional management for the purposes of developing data systems requirements. Other examples include procurement personnel involved in tasks associated with both Purchasing--Pre-award and Purchasing--Post-award, and at many activities equipment specialists and catalogers are involved in tasks related to both primary and secondary functions. These conditions complicate the computing of cost and man-hours data and reliable methods must be used. Three acceptable methods that can be utilized by the reporting activity to determine the appropriate costs and man-hours for each functional area are:

(a) Costs and man-hours accounted for by recording actual resources used under the activity's formal cost accounting structure for each function performed.

(b) Costs and man-hour allocation determined for each function by the use of engineered or historical production standards.

(c) Costs and man-hour allocations determined for each function as a result of special studies conducted specifically to respond to this reporting requirement.

Whichever basis is used, each reporting activity will retain the basic data and all computations for audit purposes. The man-hour and functional costs data reported which results from a time and cost splitting will be so identified in the reporting system data submission procedures.

(2) Civilian Manpower and Costs

Total civilian man-hours chargeable to a function during a reporting period must be accounted for and reported. Man-hour information will not be divided into productive and nonproductive categories but will include both.

The costs of civilian personnel appropriately charged to a functional area include regular pay; overtime and holiday pay; pay while in a leave status (excludes lump sum terminal leave cost); special pay such as hazardous duty pay; any special allowances paid; incentive awards; and the Government contributions to Federal Insurance Contributions Act (FICA), health and life insurance, and retirement. This definition of personnel costs applies to costs chargeable to mission functions, command and support functions, data systems, and supervisory, management, clerical, and administrative costs.

Certain civilian personnel costs are not related to current workload and output and are to be included in the Command and Staff Elements cost account. These personnel costs are associated with (1) a permanent change of station (PCS) move, (2) severance pay, and (3) lump sum terminal leave payments.

(3) Military Manpower and Costs

Total military man-hours chargeable to a function during a reporting period must be accounted for and reported. Man-hour information will not be divided into productive and nonproductive categories but will include both.

The cost of military personnel appropriately chargeable to a functional area(s) shall be based on the composite standard

rate tables in the Department of Defense (DoD) Accounting Guidance Handbook DoD 7220.9 H, plus the standard acceleration factors for (1) Retirement Entitlement Accrual Rate and (2) Accrual Rate for Other Personnel Costs. Military personnel costs will be charged from the first day of official duty to the last day of official duty at the activity. Costs will include leave and holidays as well as time on duty.

(4) Personnel Equivalents. Personnel equivalents are derived by dividing the total man-hours (productive and nonproductive) reported against a function by the available hours per person for the same time period. Available hours for both civilian and military personnel are computed based on a 40-hour work week and include holidays and leave (sick, annual, and administrative--but not leave without pay).

c. Nonpersonnel Resources

1) Supplies, Equipment, Materiel, and Services

To the extent that the cost of supplies, equipment, travel (other than per diem), materiel, and contractural services can be identified to a mission function, these costs should be reported as direct costs of the function and be identified as "Nonpersonnel" costs.

If the cost of such resources cannot be identified to a function, they are charged as "Nonpersonnel" costs under either Functional Management or Command and Support overhead accounts based on the organization using the resources.

Civilian and military temporary duty (TDY) travel cost including per diem will be charged to the same function as the personnel cost of the traveler and reported as "Nonpersonnel" costs.

(2) Rental/Lease of Real Property. The real property costs of leasing agreements will not be reported as an activity cost. However, the costs of utilities and other services included in the leasing agreement will be reported in the proper category of the Command and Support functions. Examples of costs to be reported are: (1) the water/sewage costs of the leasing agreement; (2) the costs of building security when a part of the leasing agreement; and (3) the costs of electricity consumed and included in the rental costs.

d. Functional Cost and Personnel Equivalents. In subsequent paragraphs in this Chapter, various formulas for deriving indicators of efficiency and effectiveness call for the use of Functional Cost

or Functional Personnel Equivalents. Unless specifically excepted, these costs or personnel equivalents are the sum of (1) Civilian Personnel Costs/Equivalents, (2) Military Personnel Costs/Equivalents, and (3) Nonpersonnel Costs for (a) the direct mission function, plus (b) the allocated portion of Functional Management, and (c) the allocated portion of Data Processing Operations.

e. Total Cost and Personnel Equivalents

Some of the formulas for deriving indicators call for the use of Total Cost or Total Personnel Equivalents. Total Costs or Personnel Equivalents are the sum of the specified Functional Costs or Functional Personnel Equivalents plus the pro rata Command and Support Costs or Personnel Equivalents respectively. Data Systems Development Cost and Personnel Equivalents are not included except when specifically stated.

The Command and Support Costs and Personnel Equivalents are not reported by Inventory Control Agents (ICAs). Total Command and Support Costs and Personnel Equivalents are extrapolated based on the pro rata Inventory Control Command and Support Costs or Personnel Equivalents for Primary Inventory Control Activities (PICAs) and Secondary Inventory Control Activities (SICAs). The ratio of Total Command and Support Costs or Personnel Equivalents to Total Functional Costs or Personnel Equivalents is used to determine the Total Cost or Total Personnel Equivalents for an Inventory Control function or group of functions.

6. Use of Measures and Indicators

The purpose of the workload measures and performance indicators is to provide a basis for evaluating and comparing the performance of ICPs. Such evaluations and comparisons cannot be made on a total activity basis because of the variances in activity missions.

The proposed measures and indicators vary significantly in their valid application. The lowest level at which comparisons can be made is for a specific function performed by a PICA and its ICAs for a Primary Management Assignment. Some indicators permit the aggregation of several functions for a PICA Management Assignment to be compared with another PICA. Other indicators can be used only at the Component or DoD level for making direct comparisons but provide a basis for management evaluations.

The purpose and the level(s) at which it can be used are discussed with each proposed indicator. Whenever a comparison of PICAs is indicated, the intent is to compare the performance (workload,

cost, effectiveness) of a PICA (including ICAs) for its Primary Management Assignment with another PICA (including ICAs) for the specified function or functions.

Group 1--GENERAL PRIMARY INVENTORY CONTROL

B. ITEM MANAGEMENT--PRIMARY

Many workload measures and performance indicators are common to the three separate functions of Item Management of Consumables--Primary, Item Management of Reparables--Primary, and Item Management of End Items--Primary. To minimize redundancy the three separate functions are discussed together.

1. Workload and Output Measures

a. Items Assigned

The SUM of: The National Stock Numbers (NSNs) PLUS the Local Stock Numbers assigned to a PICA for primary management.

Required data: Appendix D, Table B-1.

The Measures are:

CONSUMABLE ITEMS ASSIGNED--PRIMARY

REPARABLE ITEMS ASSIGNED--PRIMARY

END ITEMS ASSIGNED--PRIMARY

TOTAL ITEMS ASSIGNED--PRIMARY

Discussion:

Provides a gross indicator of primary item management workload and shows distribution of all DoD interest items among the PICAs and Components. The measure can be used as a workload indicator for the aggregation of all General Primary Inventory Control functions.

The assigned items include NSNs based on the Defense Logistics Services Center (DLSC) file. Local stock numbers are included only for those items for which the PICA has assigned a local stock number and the item is maintained in the supply management file and supply control reviews are conducted.

b. Weighted Items Managed

The SUM of: the products of the number of items assigned TIMES the weight for the corresponding Annual Demand Value Group (ADVG) and Type of Item.

Required data: Appendix D, Table B-2. [Annual Demand Value Groups and tentative weights are shown in Table V-1.]

The Measures are:

DEMAND WEIGHTED CONSUMABLE ITEMS MANAGED--PRIMARY

DEMAND WEIGHTED REPARABLE ITEMS MANAGED--PRIMARY

DEMAND WEIGHTED END ITEMS MANAGED--PRIMARY

DEMAND WEIGHTED TOTAL ITEMS MANAGED--PRIMARY

Discussion:

Provides a measure of comparable primary item management workload at the PICA and Component levels. The measure can be used as a workload indicator for the aggregation of all General Primary Inventory Control functions.

Research revealed significant differences in the degree and level of management not related to the types of items managed but to factors such as frequency of demand and value of procurement or repair. Assignment of weights quantifies the differences in effort required to manage the workload and provides a composite workload for all items managed. Weighting according to demand value is predicated upon the premise that the more active or higher the value an item, the proportionally more required in managing it, e.g., more frequent procurement, more intensive review of requirements, higher review and approval levels for proposed buy quantities. Weighting by Type of Item recognizes that generally for the same ADVG, reparable items require more effort than end items which in turn require more effort than consumables.

Table V-1 shows the weights associated with their respective ADVG and Type of Item. The Annual Demand Value Groups are in the same configuration for reporting purposes as directed in DoDI 4140.33, "Grouping of Secondary Items for Supply Management Purposes," with the exception of zero annual demand value strata. Reporting requirements also must be revised to provide annual demand value

Table V-1

ITEM WEIGHTS
FOR ANNUAL DEMAND VALUE GROUP AND TYPE OF ITEM WEIGHTS

Annual Demand Value	Type of Item		
	Consumable Weight	Reparable Weight	End Item Weight
Zero	0.5	0.6	0.55
> Zero; ≤ $5,000	1.0	1.2	1.1
> $5,000; ≤ $50,000	4.0	4.8	4.4
> $50,000; ≤ $500,000	10.0	12.0	11.0
> $500,000	20.0	24.0	22.0

strata by Type of Item (i.e., consumable, reparable and end item) and to include principal items.

2. Efficiency Indicators

a. Management Cost per Demand Weighted Item

The QUOTIENT of: the Item Management Functional Cost DIVIDED BY the number of Demand Weighted Items Managed.

Required data: Appendix D, Table B-2. [The divisor is the workload measure Demand Weighted Items Managed--Primary developed in paragraph 1 b, above. Functional Costs are defined in Paragraph A 5 d above.]

The Indicators are:

ITEM MANAGEMENT COST PER DEMAND WEIGHTED CONSUMABLE ITEM MANAGED--PRIMARY

ITEM MANAGEMENT COST PER DEMAND WEIGHTED REPARABLE ITEM MANAGED--PRIMARY

ITEM MANAGEMENT COST PER DEMAND WEIGHTED END ITEM MANAGED--PRIMARY

ITEM MANAGEMENT COST PER DEMAND WEIGHTED ITEM MANAGED--PRIMARY

Discussion: Provides a measure of comparable item management unit cost at the PICA, Component and DoD Levels. The measure can be used by Type of Item individually or collectively.

b. Demand Weighted Items Managed Per Person

The QUOTIENT of: Demand Weighted Items Managed DIVIDED BY the Item Management Functional Personnel Equivalents.

Required data: Appendix D, Table B-2. [The dividend is the workload measure discussed in Paragraph 1 b above. Functional Personnel Equivalents are defined in Paragraph A 5 d above.]

The Indicators are:

CONSUMABLE ITEMS MANAGED PER PERSONNEL EQUIVALENT--PRIMARY

REPARABLE ITEMS MANAGED PER PERSONNEL EQUIVALENT--PRIMARY

DEMAND WEIGHTED END ITEMS MANAGED PER PERSONNEL EQUIVALENT--PRIMARY

DEMAND WEIGHTED TOTAL ITEMS MANAGED PER PERSONNEL EQUIVALENT--PRIMARY

Discussion: Provides a measure of comparable item management output per personnel equivalent at the PICA, Component and DoD levels. The measures can be used by Type of Item individually or collectively. Provides a basis for comparing productivity and forecasting personnel requirements.

c. Management and Holding Costs Per Demand Weighted Item

The QUOTIENT of: (the SUM of the Item Management Functional Cost PLUS the Holding Cost) DIVIDED BY the number of Demand Weighted Items Managed.

Required data: Appendix D, Tables B-2, B-4 and B-7. [The Holding Costs are as specified in DoDI 4140.39, "Procurement Cycles and Safety Levels of Supply for Secondary Items," and include: Investment Cost, 10% of the inventory value (excludes War Reserve Stocks); Cost of Losses Due to Obsolescence, variable; Other Losses, variable; and Storage Costs, 1% of the inventory value. The divisor is the workload measure discussed in Paragraph 1 b above.]

The Indicators are:

ITEM MANAGEMENT AND HOLDING COST PER DEMAND WEIGHTED CONSUMABLE ITEM MANAGED--PRIMARY

ITEM MANAGEMENT AND HOLDING COST PER DEMAND WEIGHTED REPARABLE ITEM MANAGED--PRIMARY

ITEM MANAGEMENT AND HOLDING COST PER DEMAND WEIGHTED END ITEM MANAGED--PRIMARY

ITEM MANAGEMENT AND HOLDING COST PER DEMAND WEIGHTED ITEM MANAGED--PRIMARY

Discussion: Provides a measure of comparable item management and holding unit cost at the PICA, Component and DoD levels. The measure can be used by Type of Item individually or collectively. Provides the basis for comparing cost and effectiveness.

d. Management and Holding Costs of Inactive Items

The SUM of: the Item Management Functional Cost PLUS the Holding Cost for Inactive Items.

Required data: Appendix D, Tables B-2, B-4, and B-7. [These costs are computed by factoring the total Item Management Functional Cost and Holding Cost with the ratio of the number of Demand Weighted Zero Demand items to total number of Demand Weighted Items (see Paragraph 1 b above.)]

The Indicators are:

ITEM MANAGEMENT AND HOLDING COSTS FOR INACTIVE CONSUMABLE ITEMS--PRIMARY

ITEM MANAGEMENT AND HOLDING COSTS FOR INACTIVE REPARABLE ITEMS--PRIMARY

ITEM MANAGEMENT AND HOLDING COSTS FOR INACTIVE END ITEMS--PRIMARY

ITEM MANAGEMENT AND HOLDING COSTS FOR ALL INACTIVE ITEMS--PRIMARY

Discussion: Provides a measure of the resources expended to manage items for which no demands were received for at least one year.

e. Functional Cost per per Weighted $1,000 of Demands

The QUOTIENT of: Item Management Functional Costs DIVIDED BY [(the SUM of: the products of the Dollar Value of Demands for each Annual Demand Value Group TIMES the corresponding weight) TIMES 0.001].

Required data: Appendix D, Table B-2. [Annual Demand Value Groups and tentative weights are shown in Table V-2.]

The Indicators are:

ITEM MANAGEMENT COST PER WEIGHTED $1,000 OF CONSUMABLE DEMANDS--PRIMARY

ITEM MANAGEMENT COST PER WEIGHTED $1,000 OF REPARABLE DEMANDS--PRIMARY

ITEM MANAGEMENT COST PER WEIGHTED $1,000 OF END ITEM DEMANDS--PRIMARY

ITEM MANAGEMENT COST PER WEIGHTED $1,000 OF ALL DEMANDS--PRIMARY

Discussion:

Provides a measure of comparable item management unit cost at the PICA, Component and DoD levels. The measure can be used by Type of Item individually or collectively.

Research revealed that the degree and level of management effort increases with an increase in the value of annual issues or demands for an item. The increase in degree and level of management effort is not, however, directly proportionate to the increase in the value of issues. The Type of Item also has an impact on the degree of management effort required. The general relationship among Annual Demand Value Groups and Types of Items and the use of weights are discussed in Paragraph B 1 b, Weighted Items Managed, above.

Table V-2 shows the weights associated with their

Table V-2

DEMAND VALUE WEIGHTS
FOR ANNUAL DEMAND VALUE GROUP AND TYPE OF ITEM

Annual Demand Value	Type of Item		
	Consumable Weight	Reparable Weight	End Item Weight
Zero	NA	NA	NA
> Zero; ≤ $5,000	1.0	1.2	1.1
> $5,000; ≤ $50,000	0.365	0.44	0.40
> $50,000; ≤ $500,000	0.09	0.11	0.10
> $500,000	0.025	0.03	0.028

respective ADVG and Type of Item. Assuming a normal distribution within each ADVG, the application of the tentative weights in the table will have comparable results for the dollar value of demands as the weights in Table V-1 have for items managed.

f. Management and Inventory Holding Costs per Weighted $1,000 of Demands

The SUM of: [the Item Managed Functional Cost DIVIDED BY (the Weighted Demand Value TIMES 0.001)] PLUS [the Inventory Holding Cost DIVIDED BY (the unweigted Demand Value TIMES 0.001)].

Required data: Appendix D, Tables B-2, B-4 and B-7. [The Holding Costs are as discussed in Paragraph 2 c above. The Weighted Demand Value is discussed in Paragraph 2 e above.]

The Indicators are:

ITEM MANAGEMENT AND INVENTORY HOLDING COSTS PER WEIGHTED $1,000 OF CONSUMABLE DEMANDS--PRIMARY

ITEM MANAGEMENT AND INVENTORY HOLDING COSTS PER WEIGHTED $1,000 OF REPARABLE DEMANDS--PRIMARY

ITEM MANAGEMENT AND INVENTORY HOLDING COSTS PER WEIGHTED $1,000 OF END ITEM DEMANDS--PRIMARY

ITEM MANAGEMENT AND INVENTORY HOLDING COSTS PER WEIGHTED $1,000 OF ALL ITEMS DEMANDS--PRIMARY

Discussion: Provides a comparison of management and holding cost to the value of materiel distributed. Item Management Functional Cost and Holding Cost related to demands yields unit costs which provide a basis for PICA and Component comparisons.

g. Customer Satisfaction/Cost Index

The QUOTIENT of: The Percent of Customer Satisfaction DIVIDED BY the Item Management Functional Cost and Holding Cost per Weighted Dollar Value of Demands.

Required data: Appendix D, Tables B-2, B-4, B-5, B-6 and B-7. [The Percent of Customer Satisfaction is an effectiveness indicator, discussed in Paragraph 3 e below and is the DIFFERENCE of: 100% MINUS [(the QUOTIENT, expressed as a percent, of: Priority and Age Weighted Delayed Issues DIVIDED BY Priority Weighted Net

Demands Received) TIMES 100]. The weights for IPGs and Age of Delayed Issues are shown in Table V-3. Net Demands are the Total Demands Received less the Passing Actions Created and the Demand Rejects to Customer. The Item Management Functional Cost and Inventory Holding Cost per Dollar of Demand is an efficiency indicator discussed in Paragraph 2 f above and must be divided by 1000 to convert to a per dollar basis.]

The Indicators are:

CUSTOMER SATISFACTION/COST INDEX FOR CONSUMABLE ITEMS--PRIMARY

CUSTOMER SATISFACTION/COST INDEX FOR REPARABLE ITEMS--PRIMARY

CUSTOMER SATISFACTION/COST INDEX FOR END ITEMS--PRIMARY

CUSTOMER SATISFACTION/COST INDEX FOR ALL ITEMS--PRIMARY

Discussion:

Provides management with a quantification of the relationship between customer satisfaction (effectiveness) and cost (efficiency). The indicator can be used for comparing PICAs and Components as well as comparing performance of a single PICA, Component or DoD over time.

In computing Customer Satisfaction, both delayed issues released and net demands processed are weighted based on the Issue Priority Group (IPG). The premise is that the ICP indicates the relative importance to the customer. The delayed issues released are also weighted based on the length of delay in releasing, on the premise that the length of shortage represents customer dissatisfaction. The release date for all delayed issues satisfied by direct delivery (from other than depot stocks) is the date shipped. No distinction is made between stocked and nonstocked items since the objective is to measure customer satisfaction and not stockage policy.

3. Effectiveness Indicators

a. Percent Stock Availability

The DIFFERENCE of: 100% MINUS [(the QUOTIENT, expressed as a percent, of: Materiel Obligations Established for stocked items DIVIDED BY the Net Demands for stocked items) TIMES 100].

Required data: Appendix D, Table B-6.

The Indicators are:

PERCENT OF STOCK AVAILABILITY FOR STOCKED CONSUMABLE ITEMS--PRIMARY

PERCENT OF STOCK AVAILABILITY FOR STOCKED REPARABLE ITEMS--PRIMARY

PERCENT OF STOCK AVAILABILITY FOR STOCKED END ITEMS--PRIMARY

Discussion:

Provides a measure of how well the PICAs maintain sufficient assets of stocked items to meet customer demands. Permits the comparison of PICAs and Components by Type of Item.

The time conditions under which Materiel Obligations are established must be uniformly interpreted and implemented by the Components to achieve comparability.

b. Percent Demand Satisfaction

The DIFFERENCE, expressed as a percent, of 100 MINUS [(the QUOTIENT of: the number of Delayed Issues DIVIDED BY the number of Net Demands) TIMES 100].

Required data: Appendix D, Tables B-5 and B-6.

The Indicators are:

PERCENT DEMAND SATISFACTION FOR CONSUMABLE ITEMS--PRIMARY

PERCENT DEMAND SATISFACTION FOR REPARABLE ITEMS--PRIMARY

PERCENT DEMAND SATISFACTION FOR END ITEMS--PRIMARY

PERCENT DEMAND SATISFACTION FOR ALL ITEMS--PRIMARY

Discussion:

Provides a measure of how well the PICA is providing immediate response to the customer's total requirements without regard to stockage policies. Permits comparison of PICAs and Components and DoD level evaluation.

LPMES and MILSTEP definitions of Immediate Issues require modification because of the varying Component interpretations as to what constitutes the first availability edit. For the purposes

of this indicator, Immediate Issues are those which are released within one day for IPGs 1 and 2 and within three days for IPG 3 from the date the demand initially entered the wholesale distribution system. For those demands satisfied by Direct Delivery (from other than depot stocks), Immediate Issues are only those shipped within the one or three day time frames. Demands include those for NSNs, Locally Assigned Stock Numbers, and part numbered items.

c. Mean Days to Release Materiel

The QUOTIENT of: the SUM of the cumulative number of days to release each issue within a given Priority Group/Type Item/ Stockage Policy/Time of Issue category DIVIDED BY the number of corresponding Materiel Issues.

Required data: Appendix D, Table B-5.

The Indicators are:

MEAN DAYS TO RELEASE IPG 1 IMMEDIATE ISSUES FOR STOCKED CONSUMABLE ITEMS--PRIMARY[1/]

INDICATOR MATRIX

MEANS DAYS TO RELEASE MATERIEL

Type of Item/ Stockage Policy	Immediate Issues IPG 1	2	3	Delayed Issues IPG 1	2	3	All Issues IPG 1	2	3
CONSUMABLE ITEMS									
STOCKED	X[2/]	X	X	X	X	X	X	X	X
NONSTOCKED	X	X	X	X	X	X	X	X	X
TOTAL	X	X	X	X	X	X	X	X	X
REPARABLE ITEMS									
STOCKED	X	X	X	X	X	X	X	X	X
NONSTOCKED	X	X	X	X	X	X	X	X	X
TOTAL	X	X	X	X	X	X	X	X	X
END ITEMS									
STOCKED	X	X	X	X	X	X	X	X	X
NONSTOCKED	X	X	X	X	X	X	X	X	X
TOTAL	X	X	X	X	X	X	X	X	X

1/ This represents one indicator. There are 81 different indicators shown in the Indicator Matrix.

2/ Mean days.

Discussion:

Provides management with a series of indicators to pinpoint which Type of Item or Stockage Policy is the greater factor in lack of timely customer support. When used in conjunction with Percent Demand Satisfaction, permits a more balanced evaluation of PICAs in terms of the percent of Immediate Issues and the extent of delay in supply of Delayed Issues. The IPG breakout permits analysis of performance by priority.

The emphasis is on the total support provided by a PICA from the customer's point of view rather than the more limited point of view of Stock Availability for Stocked Items which represents the area of best expected performance. Consequently, indicators for Stocked and Nonstocked Items combined and for Immediate and Delayed Issues combined are included. (See Paragraphs b above and d below for revised definition of Immediate and Delayed Issues respectively.

d. Weighted Delayed Issues Released

The QUOTIENT of: Priority and Age Weighted Delayed Issues Released DIVIDED BY the number of Delayed Issues released.

Required data: Appendix D, Table B-5. [The dividend is the SUM of the products of: the number of Delayed Issues released TIMES the Issue Priority Group Weight TIMES the Age Group Weight (see Table V-2).]

The Indicators are:

WEIGHTED DELAYED ISSUES RELEASED FOR CONSUMABLE ITEMS--PRIMARY

WEIGHTED DELAYED ISSUES RELEASED FOR REPARABLE ITEMS--PRIMARY

WEIGHTED DELAYED ISSUES RELEASED FOR END ITEMS--PRIMARY

WEIGHTED DELAYED ISSUES RELEASED FOR ALL ITEMS--PRIMARY

Discussion:

Provides an indication of the relative magnitude of customer dissatisfaction caused by delayed issues based on their priority and the extent of the delay. Permits comparison of how well PICAs and Components are managing Materiel Obligations.

In computing Weighted Delayed Issues Released, both the priority of the demand and the extent of the delay are weighted.

The premise in weighting the priority is that the IPG indicates the relative importance to the customer. The weighting based on the extent of delay in releasing the Delayed Issue is based on the premise that the length of the shortage represents customer dissatisfaction.

Table V-3 shows the weights associated with their respective IPGs and Age Groups.

Table V-3

WEIGHTED DELAYED ISSUES

Issue Priority	Priority Weight	Age of Delayed Issues at Time of Release					
		2-30 Days	4-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days
		Weight	Weight	Weight	Weight	Weight	Weight
IPG 1	3	1	NA	2	3	5	8
IPG 2	2	1	NA	2	3	5	8
IPG 3	1	NA	1	2	3	5	8

The Issues for IPGs 1 and 2 released in one day and Issues for IPG 3 released within three days of initial receipt of the requisition by the wholesale distribution system are Immediate Issues. The time of release for direct deliveries (from other than depot stocks) is the date shipped. The weights which become penalties are greatest for the highest priorities and greatest delay.

e. Percent Customer Satisfaction.

The DIFFERENCE, expressed as a percent, of: 100 MINUS [(the QUOTIENT of: Priority and Age Weighted Delayed Issues Released DIVIDED BY Priority Weighted Net Materiel Demands received) TIMES 100].

Required data: Appendix D, Tables B-5 and B-6. [The Priority and Age Weights are shown in Table V-3 above.]

The Indicators are:

PERCENT CUSTOMER SATISFACTION FOR CONSUMABLES--PRIMARY

PERCENT CUSTOMER SATISFACTION FOR REPARABLES--PRIMARY

PERCENT CUSTOMER SATISFACTION FOR END ITEMS--PRIMARY

PERCENT CUSTOMER SATISFACTION FOR ALL ITEMS--PRIMARY

Discussion:

Provides a measure of overall PICA performance from a customer's point of view. Brings together into a single indicator the PICAs performance in terms of Immediate Issues (approximately equivalent to stock availability) and Delayed Issues which are treated as a penalty for reduced customer satisfaction.

The demands and the issues are both weighted based on the IPG to reflect the relative importance to the customer. The Delayed Issues are further weighted to provide a penalty based on the extent of the delay in satisfying the customer's demand.

f. Assets Above Approved Forces Acquisition Objective (AFAO)

The RATIO of: 1 TO (the Dollar Value of Inventory allocated to the AFAO DIVIDED BY the Dollar Value of Inventory stratified above the AFAO).

Required data: Appendix D, Table B-7. [The inventory stratified above the AFAO is the SUM of the Retention Stocks and the Potential DoD Excess.]

The Indicators are:

RATIO OF LONG STOCK TO THE VALUE OF CONSUMABLE ITEMS AFAO ASSETS--PRIMARY

RATIO OF LONG STOCK TO THE VALUE OF REPARABLE ITEM AFAO ASSETS--PRIMARY

RATIO OF LONG STOCK TO THE VALUE OF END ITEM AFAO ASSETS--PRIMARY

Discussion: Provides a measure of the effectiveness of the investment of available funds. Indicates prior over investment compared to current requirements. Evaluations can be made at the PICA, Component and DoD levels.

g. Inactive Items with Stock On Hand

The SUM of: the Dollar Value of Inventory On Hand for those items which have had Zero Demands over the past 12 months.

Required data: Appendix D, Table B-2.

The Indicators are:

DOLLAR VALUE OF ASSETS FOR STOCKED CONSUMABLES WITH ZERO DEMANDS--PRIMARY

DOLLAR VALUE OF ASSETS FOR STOCKED REPARABLES WITH ZERO DEMANDS--PRIMARY

DOLLAR VALUE OF ASSETS FOR STOCKED END ITEMS WITH ZERO DEMANDS--PRIMARY

Discussion: Provides a general measure of variance in demands and inventory value. Tracks trends which are adversely affecting inventory to sales ratios. Prompts action to excess materiel no longer required in the system.

C. REQUISITION PROCESSING--PRIMARY

Many of the performance indicators are common to the three separate functions of Requisition Processing of Consumables--Primary, Requisition Processing of Reparables--Primary and Requisition Processing of End Items--Primary. To minimize redundancy the three separate functions are discussed concurrently.

1. Workload and Output Measures

a. Materiel Request Related Documents

The SUM of: the number of Line Items on Materiel Request Related Documents.

Required data: Appendix D, Table C-1.

The Measures are:

MATERIEL REQUEST RELATED DOCUMENTS PROCESSED FOR CONSUMABLES--PRIMARY

MATERIEL REQUEST RELATED DOCUMENTS PROCESSED FOR REPARABLES--PRIMARY

MATERIEL REQUEST RELATED DOCUMENTS PROCESSED FOR END ITEMS--PRIMARY

MATERIEL REQUEST RELATED DOCUMENTS PROCESSED FOR ALL ITEMS--PRIMARY

Discussion:

Provides a gross indication of the workload in terms of document volume. The detailed data reported can be analyzed for significant variations among PICAs and Components. All documents do not require equal effort.

Materiel Request Related Documents include: Incoming Requisitions, Incoming Modifiers, Incoming Passing Orders, Incoming Referral Orders, Incoming Follow-ups, Incoming Cancellations, Requests for Supply Assistance and Out-going Status. For purposes of this measure incoming requisitions will include those requests for National Stock Number items, Locally Assigned Stock numbers and manufacturer's code and part numbers. Materiel Request Related documents will be counted upon receipt and commencement of processing by the Primary Inventory Control Activity or its Inventory Control Agent(s) for all incoming materiel request related documents and at the time of transmission by the PICA or its ICA(s) of outgoing status transmissions to customers and others. ICAs will count incoming materiel request related documents for those items under management control and accountability of a wholesale PICA. The post-post effort at a PICA to update their records based upon an ICA issue will not be counted as a materiel request related document by the PICA.

b. Demands Received

The SUM of: the Net Demands Received.

Required data: Appendix D, Table B-6.

The Measures are:

NET DEMANDS RECEIVED FOR CONSUMABLES--PRIMARY

NET DEMANDS RECEIVED FOR REPARABLES--PRIMARY

NET DEMANDS RECEIVED FOR END ITEMS--PRIMARY

NET DEMANDS RECEIVED FOR ALL ITEMS--PRIMARY

Discussion:

Provides a single measure of the major source of Requisition Processing workload at the PICA, Component and DoD levels.

Demands will be reported only by PICAs and represent a single count of valid demands placed on the wholesale distribution system.

c. Weighted Demands

The SUM of: the PRODUCTS of the Net Demands Received TIMES the weight for the corresponding Type of Item.

Required data: Appendix D, Table B-6. [Type of Item Weights are shown in Table V-3.]

The Measures are:

TYPE OF ITEM WEIGHTED NET DEMANDS FOR CONSUMABLES--PRIMARY

TYPE OF ITEM WEIGHTED NET DEMANDS FOR REPARABLES--PRIMARY

TYPE OF ITEM WEIGHTED NET DEMANDS FOR END ITEMS--PRIMARY

TYPE OF ITEM WEIGHTED NET DEMANDS FOR ALL ITEMS--PRIMARY

Discussion:

Provides a measure of comparable requisition processing workload at the PICA, Component and DoD levels.

Table V-4 shows the weights associated with the demands by Type of Item. The weighting is based on the premise

Table V-4

TYPE OF ITEM WEIGHTED NET DEMANDS

Type of Item	Weight
Consumable	1.0
Reparable	1.5
End Item	2.0

that inherently a significantly higher proportion of the demands for End Items require manual processing than demands for Reparable Items which in turn inherently require more manual processing than Consumable Items.

d. Manually Processed Demands

The SUM of: Line Items on Materiel Demands received requiring manual intervention at any point during PICA/ICA requisition processing.

Required data: Appendix D, Table C-2.

The Measures are:

DEMANDS RECEIVED FOR CONSUMABLES REQUIRING MANUAL PROCESSING--PRIMARY

DEMANDS RECEIVED FOR REPARABLES REQUIRING MANUAL PROCESSING--PRIMARY

DEMANDS RECEIVED FOR END ITEMS REQUIRING MANUAL PROCESSING--PRIMARY

DEMANDS RECEIVED FOR ALL ITEMS REQUIRING MANUAL PROCESSING--PRIMARY

Discussion:

Provides a general overview of the PICA and ICA manual requisition workload. Comparisons of PICAs can highlight significant manual workloads to management.

Materiel Demands requiring manual processing include: Demands Received in Nonmachineable Form, Demands Received for Part Numbered Requisitions, Demands Rejected for Correction and Reentered, Demands Rejected for Management Control, Demands Rejected for Exceeding the Maximum Release Quantity, and Demands Rejected for Other Reasons. Demands received in the form of keypunched cards or magnetic tape are not considered as requiring manual processing.

2. Efficiency Indicators

a. Functional Cost per Weighted Net Demands

The QUOTIENT of: Functional Cost for Requisition Processing DIVIDED BY the number of Type of Item Weighted Net Demands.

Required data: Appendix D, Table B-6. [The divisor is the workload measure discussed in Paragraph 1 c above.]

The Indicators are:

REQUISITION PROCESSING COST PER WEIGHTED NET DEMAND FOR CONSUMABLES--PRIMARY

REQUISITION PROCESSING COST PER WEIGHTED NET DEMAND FOR REPARABLES--PRIMARY

REQUISITION PROCESSING COST PER WEIGHTED NET DEMAND FOR END ITEMS--PRIMARY

REQUISITION PROCESSING COST PER WEIGHTED NET DEMAND FOR ALL ITEMS--PRIMARY

Discussion: Provides a measure of comparable requisition processing unit cost at the PICA, Component and DoD levels. The measure can be used by Type of Item individually or collectively.

b. Weighted Net Demands Processed per Person

The QUOTIENT of: the number of the Type of Item Weighted Net Demands DIVIDED BY the number of Requisition Processing Personnel Equivalents.

Required data: Appendix D, Table B-6. [The dividend is the workload measure discussed in Paragraph 1 c above.]

The Indicators are:

TYPE OF ITEM WEIGHTED NET DEMANDS FOR CONSUMABLES PROCESSED PER PERSONNEL EQUIVALENT--PRIMARY

TYPE OF ITEM WEIGHTED NET DEMANDS FOR REPARABLES PROCESSED PER PERSONNEL EQUIVALENT--PRIMARY

TYPE OF ITEM WEIGHTED NET DEMANDS FOR END ITEMS PROCESSED PER PERSONNEL EQUIVALENT--PRIMARY

TYPE OF ITEM WEIGHTED NET DEMANDS FOR ALL ITEMS PROCESSED PER PERSONNEL EQUIVALENT--PRIMARY

Discussion: Provides a comparable measure of the average number of net demands processed per person at the PICA, Component and DoD levels. Provides a basis for evaluating manpower requirements.

c. Functional Cost (less Data Processing) per Manually Processed Demand

The QUOTIENT of: (Requisitioning Processing Functional Cost MINUS the allocated Data Processing Operations Cost) DIVIDED BY the number of Demands Received Requiring Manual Processing.

Required data: Appendix D, Table C-2. [The divisor is the workload measure discussed in Paragraph 1 d above.]

The Indicators are:

REQUISITION PROCESSING COSTS (LESS DATA PROCESSING COSTS) PER MANUALLY PROCESSED DEMAND FOR CONSUMABLES--PRIMARY

REQUISITION PROCESSING COSTS (LESS DATA PROCESSING COSTS PER MANUALLY PROCESSED DEMAND FOR REPARABLES--PRIMARY

REQUISITION PROCESSING COSTS (LESS DATA PROCESSING COSTS) PER MANUALLY PROCESSED DEMAND FOR END ITEMS--PRIMARY

REQUISITION PROCESSING COSTS (LESS DATA PROCESSING COSTS) PER MANUALLY PROCESSED DEMAND FOR ALL ITEMS--PRIMARY

Discussion: Provides comparable unit costs for manually processing demands. Highlights the cost of manual processing and permits comparisons of the PICAs and Components.

d. Manually Processed Demands per Person (less Data Processing)

The QUOTIENT of: the number of Demands Received Requiring Manual Processing DIVIDED BY (the number of Requisition Processing Functional Personnel Equivalents MINUS the Personnel Equivalents allocated from Data Processing Operations).

Required data: Appendix D, Table C-2. [The dividend is the workload measure discussed in Paragraph 1 d above.]

The Indicators are:

MANUALLY PROCESSED DEMANDS PER PERSONNEL EQUIVALENT (LESS DATA PROCESSING) FOR CONSUMABLES--PRIMARY

MANUALLY PROCESSED DEMANDS PER PERSONNEL EQUIVALENT (LESS DATA PROCESSING) FOR REPARABLES--PRIMARY

MANUALLY PROCESSED DEMANDS PER PERSONNEL EQUIVALENT (LESS DATA PROCESSING) FOR END ITEMS--PRIMARY

MANUALLY PROCESSED DEMANDS PER PERSONNEL EQUIVALENT (LESS DATA PROCESSING) FOR ALL ITEMS--PRIMARY

Discussion: Provides a basis for comparing the productivity in processing demands manually at the PICA and Component levels.

3. Effectiveness Indicators

a. Percent of Demands Requiring Manual Processing

The PRODUCT, expressed as a percent, of: (Demands Received Requiring Manual Processing DIVIDED BY the number of Net Demands Received) TIMES 100.

Required data: Appendix D, Tables B-6 and C-2. [The dividend and divisor are workload measures discussed in Paragraphs 1 d and 1 b above respectively.]

The Indicators are:

PERCENT OF DEMANDS PROCESSED MANUALLY FOR CONSUMABLES--PRIMARY

PERCENT OF DEMANDS PROCESSED MANUALLY FOR REPARABLES--PRIMARY

PERCENT OF DEMANDS PROCESSED MANUALLY FOR END ITEMS--PRIMARY

PERCENT OF DEMANDS PROCESSED MANUALLY FOR ALL ITEMS--PRIMARY

Discussion: Provides an indication of the relative number of demands processed manually for comparison at PICA and Component levels. Permits management to identify and evaluate PICAs with high percentages of manual processing for possible improvements to processing methods.

b. Percent Demands Rejected for Management Control

The PRODUCT, expressed as a percent, of: (Demands Rejected for Management Control DIVIDED BY the number of Demands Received Requiring Manual Processing) TIMES 100.

Required data: Appendix D, Table C-2. [The divisor is the workload measure discussed in Paragraph 1 d above.]

The Indicators are:

PERCENT OF CONSUMABLE DEMANDS REJECTED FOR MANAGEMENT CONTROL--PRIMARY

PERCENT OF REPARABLE DEMANDS REJECTED FOR MANAGEMENT CONTROL--PRIMARY

PERCENT OF END ITEM DEMANDS REJECTED FOR MANAGEMENT CONTROL--PRIMARY

PERCENT OF TOTAL DEMANDS REJECTED FOR MANAGEMENT CONTROL--PRIMARY

Discussion: Provides an indication of the degree to which items designated as requiring Management Control contribute to the manual requisition processing workload. Permits comparison of PICAs and Components.

c. Ratio of Total Referral Orders and Net Demands to Net Demands

The RATIO of: [(the SUM of the gross number of Referral Orders PLUS the number of Net Demands) DIVIDED BY the number of Net Demands] TO 1.

Required data: Appendix D, Tables B-6 and C-1.

The Indicators are:

RATIO OF GROSS REFERRAL ORDERS AND NET DEMANDS TO NET DEMANDS FOR CONSUMABLES--PRIMARY

RATIO OF GROSS REFERRAL ORDERS AND NET DEMANDS TO NET DEMANDS FOR REPARABLES--PRIMARY

RATIO OF GROSS REFERRAL ORDERS AND NET DEMANDS TO NET DEMANDS FOR END ITEMS--PRIMARY

RATIO OF GROSS REFERRAL ORDERS AND NET DEMANDS TO NET DEMANDS FOR ALL ITEMS--PRIMARY

Discussion:

Provides a measure of the effectiveness of the distribution system by indicating the degree to which Demands must be referred between activities within the system before the demand is satisfied.

The count of Referral Orders is a count of the gross number generated by the PICA and its ICAs within the wholesale distribution system. Clarification of the terms Referral Orders and Passing Orders is discussed in Appendix F.

d. Ratio of Incoming Passing Orders and Net Demands to Net Demands

The RATIO of: [(the SUM of: the number of Incoming Passing Orders PLUS the Net Demands) DIVIDED BY the number of Net Demands] TO 1.

Required data: Appendix D, Tables B-6 and C-1.

The Indicators are:

RATIO OF INCOMING PASSING ORDERS AND NET DEMANDS TO NET DEMANDS FOR CONSUMABLES--PRIMARY

RATIO OF INCOMING PASSING ORDERS AND NET DEMANDS TO NET DEMANDS FOR REPARABLES--PRIMARY

RATIO OF INCOMING PASSING ORDERS AND NET DEMANDS TO NET DEMANDS FOR END ITEMS--PRIMARY

RATIO OF INCOMING PASSING ORDERS AND NET DEMANDS TO NET DEMANDS FOR ALL ITEMS--PRIMARY

Discussion:

Provides a measure of the extent that requisitions are passing through distribution systems without being satisfied prior to entering the wholesale distribution system. Provides management with an indication of the effectiveness of the Retail and Intermediate systems.

The count of Passing Orders is a count of the total number of incoming Passing Orders received by a PICA and its ICAs within the wholesale distribution system. Clarification of the terms Referral Orders and Passing Orders is discussed in Appendix F.

e. Ratio of Total Demands Received to Net Demands

The RATIO of: (Total Demands received DIVIDED BY the Net Demands) TO 1.

Required data: Appendix D, Table B-6.

The Indicators are:

RATIO OF TOTAL DEMANDS RECEIVED TO NET DEMANDS FOR CONSUMABLES--PRIMARY

RATIO OF TOTAL DEMANDS RECEIVED TO NET DEMANDS FOR REPARABLES--PRIMARY

RATIO OF TOTAL DEMANDS RECEIVED TO NET DEMANDS FOR END ITEMS--PRIMARY

RATIO OF TOTAL DEMANDS RECEIVED TO NET DEMANDS FOR ALL ITEMS--PRIMARY

Discussion: Provides a measure of requisition system effectiveness by indicating the degree to which requisitions are incorrectly prepared or routed. Identifies potential problem areas for management.

f. Ratio of Follow-up and Requests for Supply Assistance to Net Demands

The RATIO of: [(the SUM of: Follow-ups PLUS Requests for Supply Assistance) DIVIDED BY Net Demands Received] TO 1.

Required data: Appendix D, Tables B-6 and C-1.

The Indicators are:

RATIO OF FOLLOW-UPS AND REQUESTS FOR SUPPLY ASSISTANCE TO NET DEMANDS FOR CONSUMABLES--PRIMARY

RATIO OF FOLLOW-UPS AND REQUESTS FOR SUPPLY ASSISTANCE TO NET DEMANDS FOR REPARABLES--PRIMARY

RATIO OF FOLLOW-UPS AND REQUESTS FOR SUPPLY ASSISTANCE TO NET DEMANDS FOR END ITEMS--PRIMARY

RATIO OF FOLLOW-UPS AND REQUESTS FOR SUPPLY ASSISTANCE TO NET DEMANDS FOR ALL ITEMS--PRIMARY

Discussion:

Provides a measure of the extent of requisitioning system short-fall by indicating the failure of the supply source to provide timely status, the generation of unwarranted follow-ups by requisitioners, and the generation of requests for assistance.

The count of line items on Requests for Supply Assistance is not currently provided for in MILSTEP and is discussed in Appendix F.

D. OTHER STOCK CONTROL OPERATIONS--PRIMARY

1. Workload and Output Measures

a. Manually Processed Receipt, Inventory and Adjustment Transactions

The SUM of: the number of Receipt, Inventory and Adjustment Transactions Processed Manually in connection with maintenance and updating of stock records.

Required data: Appendix D, Tables D-1 and D-2.

The Measure is:

MANUALLY PROCESSED RECEIPT, INVENTORY AND ADJUSTMENT TRANSACTIONS--PRIMARY

Discussion:

Provides a gross indication of the manual document processing workload for maintenance and updating of stock records at the PICA, Component and DoD levels.

The count includes inventory adjustments, discrepancy reports when resolved by Stock Control/Receipt Control personnel, transactions involving loaned materiel, establishment and adjustment of due-in records, materiel receipt follow-ups, resolution of materiel condition codes other than RFI, processing capitalization/decapitalization transactions, and processing disposal actions. Catalog actions and requisition related transactions are excluded. The ICAs will provide separate counts for each PICA that they support.

b. Total Receipt, Inventory and Adjustment Transactions Processed

The SUM of: the number of Receipt, Inventory and Adjustment Transactions Processed Manually or Mechanically.

Required data: Appendix D, Tables D-1 and D-2.

The Measure is:

TOTAL RECEIPT, INVENTORY AND ADJUSTMENT TRANSACTIONS PROCESSED--PRIMARY

Discussion:

Provides a gross indication of the total document processing workload for maintenance and updating of stock records at the PICA, Component and DoD levels.

Both the manually processed and mechanically processed transactions for the maintenance and updating of stock records are included. The processing of requisitions and catalog actions are specifically excluded from the above counts. The ICAs will provide separate counts for each PICA that they support.

2. Efficiency Indicators

a. Functional Cost Per Transaction

The QUOTIENT of: Other Stock Control Functional Cost DIVIDED BY the Total number of Receipt, Inventory and Adjustment Transactions processed.

Required data: Appendix D, Tables D-1 and D-2. [The divisor is the workload measure discussed in Paragraph 1 b, above.]

The Indicator is:

OTHER STOCK CONTROL FUNCTIONAL COST PER TRANSACTION PROCESSED--PRIMARY

Discussion: Provides a measure of stock control processing unit cost at the PICA, Component and DoD level.

b. Stock Control Transactions Per Person

The QUOTIENT of: the total Receipt, Inventory and Adjustment Transactions processed DIVIDED BY the number of Other Stock Control Functional Personnel Equivalents.

Required data: Appendix D, Tables D-1 and D-2. [The dividend is the workload measure discussed in Paragraph 1 b, above.]

The Indicator is:

OTHER STOCK CONTROL TRANSACTIONS PROCESSED PERSONNEL EQUIVALENT--PRIMARY

Discussion: Provides a comparable measure of the average number of stock control transactions processed per person at the

PICA, Component and DoD levels. Provides a basis for comparing productivity and forecasting personnel requirements.

c. Functional Cost (Less Data Processing) per Manually Processed Transaction

The QUOTIENT of: (Other Stock Control Functional Costs MINUS the allocated Data Processing Cost) DIVIDED BY the number of Manually Processed Receipt, Inventory and Adjustment Transactions.

Required data: Appendix D, Tables D-1 and D-2. [The divisor is the workload measure discussed in Paragraph 1 a, above.]

The Indicator is:

OTHER STOCK CONTROL FUNCTIONAL COST (LESS DATA PROCESSING COST) PER MANUALLY PROCESSED TRANSACTION--PRIMARY

Discussion: Provides comparable unit costs for manually processing receipt, inventory and adjustment transactions. Highlights the cost of manual processing and permits comparison of PICAs and Components.

d. Manually Processed Transactions per Person (Less Data Processing)

The QUOTIENT of: the total number of Manually Processed Receipt, Inventory and Adjustment Transactions DIVIDED BY (the number of Other Stock Control Functional Personnel Equivalents MINUS the Personnel Equivalents Allocated from Data Processing Operations).

Required data: Appendix D, Tables D-1 and D-2. [The dividend is the workload measure discussed in Paragraph 1 a, above.]

The Indicator is:

MANUALLY PROCESSED OTHER STOCK CONTROL TRANSACTIONS PER PERSONNEL EQUIVALENT (LESS DATA PROCESSING)--PRIMARY

Discussion: Provides a basis for comparing the productivity of PICAs in the processing receipt, inventory and adjustment transactions manually.

3. Effectiveness Indicators

a. Percent Transactions Processed Manually

The PRODUCT, expressed as a percent, of: (the Manually Processed Receipt, Inventory and Adjustment Transactions DIVIDED BY

the Total Receipt, Inventory and Adjustment Transactions Processed) TIMES 100.

Required data: Appendix D, Tables D-1 and D-2. [The dividend and the divisor are the workload measures discussed in Paragraphs 1 a and 1 b above respectively.]

The Indicator is:

PERCENT OF RECEIPT, INVENTORY AND ADJUSTMENT TRANSACTIONS PROCESSED MANUALLY--PRIMARY

Discussion: Provides an indication of the relative number of transactions processed manually for comparison at the PICA and Component levels. Permits management to identify and evaluate PICAs with high percentages of manual processing for possible improvement in processing methods.

b. Ratio of Denials to Materiel Release Orders

The RATIO of: the number of Materiel Release Denials DIVIDED BY the number of Materiel Release Orders TO 1.

Required data: Appendix D, Table D-3.

The Indicator is:

RATIO OF MATERIEL RELEASE DENIALS TO MATERIEL RELEASE ORDERS--PRIMARY

Discussion: Provides a measure of stock record accuracy at the PICAs and ICAs.

E. TECHNICAL SUPPORT--PRIMARY

1. Workload and Output Measures

a. Weighted Technical Data Packages Processed

The SUM of: the PRODUCTS of the Number of Items on Purchase Requests and Maintenance Work Orders TIMES the weight for the corresponding Technical Data Package Size.

Required data: Appendix D, Table E-2. [Technical Data Package Weights are shown in Table V-4.]

The Measure is:

WEIGHTED TECHNICAL DATA PACKAGES PROCESSED--PRIMARY

Discussion:

Provides an indicator of the Technical Support workload at the PICA, Component, and DoD levels.

A count will be taken for technical data packages furnished with Purchase Requests and Maintenance Work Orders processed. A Technical Data Package consists of all the data to be provided by the Technical Support Organization to permit the purchase or repair of an item (e.g., citation of specifications and standards, presentation and packaging requirements, quality assurance provisions, transportation considerations, source information and drawings). Each different stock number is considered as an item. Data requirements lines will be excluded. It is recognized that efforts required to obtain, assemble, maintain and furnish data packages will vary from item to item; therefore, weights based on the number of aperture cards or hard copy drawings per item will be utilized. Weighting according to the number of aperture cards or hard copy drawings is based on the premise that the volume of cards or drawings and the frequency of purchase are indicative of the effort required to establish, maintain and provide technical data.

Table V-5 shows the weights associated with the various aperture card set size groups. Only the number of aperture cards or drawings required for one set will be counted per item per Purchase Request or Maintenance Work Order even though multiple sets are furnished.

Table V-5

TECHNICAL DATA PACKAGE WEIGHT

Number of Aperture Cards or Drawings per Item	Weight
$0 \leq 10$	1
$> 10 \leq 100$	2
$> 100 \leq 500$	5
$> 500 \leq 1{,}000$	10
$> 1{,}000 \leq 5{,}000$	20
$> 5{,}000$	50

b. Weighted Items Supported

The SUM of: the PRODUCTS of the number of items assigned TIMES the weight for the corresponding Annual Demand Value Group and Type of Item.

Required data: Appendix D, Table B-2. [This is the workload measure discussed in Paragraph B 1 b above. Weights are shown in Table V-1.]

The Measure is:

DEMAND WEIGHTED TOTAL ITEMS SUPPORTED--PRIMARY

Discussion: Provides a measure of comparable primary technical support workload at the PICA and Component levels.

2. Efficiency Indicators

a. Technical Support Cost per Weighted Technical Data Package

The QUOTIENT of: the Technical Support Functional Costs DIVIDED BY the number of Weighted Technical Data Packages Processed.

Required data: Appendix D, Table E-2. [The divisor is the workload measure Weighted Technical Data Packages Processed--Primary developed in Paragraph 1 a, above.]

The Indicator is:

TECHNICAL SUPPORT COST PER WEIGHTED TECHNICAL DATA PACKAGE PROCESSED--PRIMARY

Discussion: Provides a measure of comparable technical support unit cost at the PICA, Component and DoD levels.

b. Technical Support Cost per Demand Weighted Item

The QUOTIENT of: the Technical Support Functional Costs DIVIDED BY the number of Demand Weighted Items Supported.

Required data: Appendix D, Table B-2. [The divisor is the workload measure discussed in Paragraph 1 b, above.]

The Indicator is:

TECHNICAL SUPPORT COST PER DEMAND WEIGHTED ITEM MANAGED--PRIMARY

Discussion: Provides a measure of comparable Technical Support unit cost at the PICA, Component and DoD levels.

c. Demand Weighted Items Supported Per Person

The QUOTIENT of: Demand Weighted Items Supported DIVIDED BY the Technical Support Functional Personnel Equivalents.

Required data: Appendix D, Table B-2.

The Indicator is:

DEMAND WEIGHTED ITEMS SUPPORTED PER PERSONNEL EQUIVALENT--PRIMARY

Discussion: Provides a measure of comparable Technical Support workload per personnel equivalent at the PICA, Component and DoD levels. Provides a basis for comparing productivity and forecasting personnel requirements.

3. Effectiveness Indicators

a. Percent of Requests for Technical Data Returned

The PRODUCT, expressed as a percent, of: (the total number of Purchase Requests and Maintenance Work Orders Returned to Technical Support DIVIDED BY the total Number of Purchase Requests and Maintenance Work Orders Processed) TIMES 100.

Required data: Appendix D, Table E-1. [The count of Purchase Requests and Maintenance Work Orders is a net count. Requests which are returned for reprocessing are not added to the count.]

The Indicator is:

PERCENT OF REQUESTS FOR TECHNICAL DATA RETURNED

Discussion:

Provides a comparable measure of the technical data package adequacy at the PICA, Component and DoD levels.

This measure reflects the frequency that Purchase Requests and Maintenance Work Orders are returned by Procurement or Maintenance because of inadequate technical data.

b. Mean Days to Process Requests for Technical Data

The QUOTIENT of: the total cumulative number of days from receipt of Requests until a complete technical data package

is forwarded to Procurement or to the maintenance facility DIVIDED BY the number of Requests processed.

Required data: Appendix D, Table E-1.

The Indicator is:

MEANS DAYS TO PROCESS REQUESTS FOR TECHNICAL DATA

Discussion:

Provides a basis for comparing the responsiveness of PICAs in providing technical support.

The total cumulative days represents the sum of the elapsed time required for each Purchase Request and Maintenance Work Order. The count includes the number of days from day of receipt in the Technical Support organization to and including the day forwarded to Procurement or Maintenance facility. The number of complete technical data packages equate to Purchase Requests and Maintenance Work Orders regardless of the number of items. If requests are returned because of inadequacy of the Data Package, the additional time in the Technical Support organization will be included in the cumulative.

F. CATALOGING--PRIMARY

1. Workload and Output Measures

a. Weighted Item Identifications

The SUM of: the number of Package Sequence Numbers for Item Identification transactions approved by DLSC.

Required data: Appendix D, Table F-1.

The Measure is:

WEIGHTED ITEM IDENTIFICATIONS APPROVED--PRIMARY

Discussion:

Provides a measure of comparable item identification workload at the PICA, Component and DoD levels. Provides a measure of total primary cataloging workload when combined with Weighted Other Catalog Actions Approved.

There are significant differences in the effort required to prepare item identifications depending on the method (descriptive or reference), the Federal Item Identification Guide (FIIG) involved, and the availability of data. Each item identification submitted requires one or more "Packages" of data. The number of Packages provide a general indication of the extent of research and coding effort involved in preparing an item identification and is used as the basis for weighting the workload. Only those submissions which are approved by DLSC are counted.

b. Weighted Other Catalog Actions

The SUM of: the number of Package Sequence Numbers for other Catalog transactions approved by DLSC.

Required data: Appendix D, Table F-1. [Inquiries and other transactions which do not update the Total Item Record (TIR) are not included.]

The Measure is:

WEIGHTED OTHER CATALOG ACTIONS APPROVED--PRIMARY

Discussion:

Provides a measure of comparable other catalog workload at the PICA, Component and DoD levels. Provides a measure of total primary cataloging workload when combined with Weighted Item Identifications Approved.

The number of transactions submitted is weighted based on the number of "Packages" of data involved. Only those submissions approved by the DLSC are counted.

c. Weighted Items Cataloged

The SUM of: the PRODUCTS of the number of items assigned TIMES the weight for the corresponding Annual Demand Value Group and Type of Item.

Required data: Appendix D, Table B-2. [This is the same workload measure discussed in Paragraph B 1 b above. Weights are shown in Table V-1.]

The Measure is:

DEMAND WEIGHTED ITEMS CATALOGED--PRIMARY

Discussion: Provides a measure of comparable primary cataloging workload at the PICA and Component levels. The measure can be used for the aggregation of all General Primary Inventory Control functions.

2. Efficiency Indicators

a. Cataloging Cost Per Weighted Transaction

The QUOTIENT of: the Cataloging Functional Costs DIVIDED BY the total Weighted Approved Catalog Actions.

Required data: Appendix D, Table F-1. [The divisor is the SUM of the two workload measures discussed in Paragraphs 1 a and 1 b above.]

The Indicator is:

CATALOGING COST PER WEIGHTED APPROVED CATALOG ACTION--PRIMARY

Discussion: Provides a measure of comparable cataloging unit cost at the PICA, Component and DoD levels.

b. Weighted Approved Catalog Action Per Person

The QUOTIENT of: the total Weighted Approved Catalog Actions DIVIDED BY the Cataloging Functional Personnel Equivalents.

Required data: Appendix D, Table F-1. [The dividend is the SUM of the two workload measures discussed in Paragraphs 1 a and 1 b above.]

The Indicator is:

WEIGHTED APPROVED CATALOG ACTIONS PER PERSONNEL EQUIVALENT

Discussion: Provides a measure of comparable Cataloging output per personnel equivalent at the PICA, Component and DoD levels. Provides a basis for comparing productivity and forecasting personnel requirements.

c. Cataloging Cost per Demand Weighted Item

The QUOTIENT of: the Cataloging Functional Costs DIVIDED BY the number of Demand Weighted Items Cataloged.

Required data: Appendix D, Table B-2. [The divisor is the workload measure developed in Paragraph 1 c above.]

The Indicator is:

CATALOGING COST PER DEMAND WEIGHTED TOTAL ITEMS MANAGED--PRIMARY

Discussion: Provides a measure of comparable cataloging unit cost at the PICA, Component and DoD levels.

d. Demand Weighted Items Cataloged Per Person

The QUOTIENT of: Demand Weighted Items Cataloged DIVIDED BY the Cataloging Functional Personnel Equivalents.

Required data: Appendix D, Table B-2. [The dividend is the workload measure developed in Paragraph 1 c above.]

The Indicator is:

DEMAND WEIGHTED ITEMS CATALOGED PER PERSONNEL EQUIVALENT--PRIMARY

Discussion: Provides a measure of comparable cataloging output per personnel equivalent at the PICA, Component and DoD levels. Provides a basis for comparing productivity and forecasting personnel requirements.

3. Effectiveness Indicators

a. Percent Descriptive Item Identifications

The PRODUCT, expressed as a percent, of: (the Total Items Assigned which have Full Descriptive item identifications DIVIDED BY the Total Items Assigned) TIMES 100.

Required data: Appendix D, Tables B-1 and F-2. [The divisor is the workload measure developed in Paragraph B 1 a above.]

The Indicator is:

PERCENT OF TOTAL FULL DESCRIPTIVE METHOD ITEM IDENTIFICATIONS--PRIMARY

Discussion: Provides a comparison of the status of the PICAs ability to accomplish the maximum use of full descriptive item identifications for total items assigned.

b. Percent of Approved Descriptive Item Identifications

The PRODUCT, expressed as a percent, of: (the number of Full Descriptive Item Identification transactions Approved DIVIDED BY the total number of Item Identifications Approved by DLSC) TIMES 100.

Required data: Appendix D, Table F-1.

The Indicator is:

PERCENT OF APPROVED ITEM IDENTIFICATIONS BY THE FULL DESCRIPTIVE METHOD--PRIMARY

Discussion: Provides a comparison of the PICAs ability to maximize the use of the full descriptive method for current item identifications.

c. Item Identification Reject Rate

The PRODUCT, expressed as a percent, of: (the number of Item Identifications Rejected by DLSC to the Submitter DIVIDED BY the number of Item Identifications Submitted to DLSC) TIMES 100.

Required data: Appendix D, Table F-1.

The Indicator is:

PERCENT OF ITEM IDENTIFICATION REJECTED--PRIMARY

Discussion: Provides a comparison of the quality of item identification preparation at the PICA and Component levels. Highlights areas for possible investigation if a PICA's or Component's reject rates are significantly high.

d. Other Catalog Action Reject Rate

The PRODUCT, expressed as a percent, of: (the number of Other Catalog Actions Rejected by DLSC to the Submitter DIVIDED BY the Number of Other Catalog Actions Submitted to DLSC) TIMES 100.

Required data: Appendix D, Table F-1. [Other Catalog Actions includes only those transactions, other than item identification, which update the Total Item Record (TIR). Inquiries and Follow-ups are excluded.]

The Indicator is:

PERCENT OF OTHER CATALOG ACTIONS REJECTED--PRIMARY

Discussion: Provides a comparison of the quality of Other Catalog Action preparation at the PICA and Component levels. Highlights areas for possible investigation if a PICA's or Component's reject rates are significantly high.

G. PURCHASING--PRE-AWARD--PRIMARY

1. Workload and Output Measures

a. Purchase Requests Processed

The SUM of: the number of Purchase Requests PLUS the Military Interdepartmental Purchase Requests processed by the purchasing activity.

Required data: Appendix D, Table G-1. [Processed means those for which a contract has been awarded or an order placed under an existing contract.]

The Indicator is:

TOTAL PURCHASE REQUESTS PROCESSED--PRIMARY

Discussion:

Provides a gross measure of the purchasing workload accomplished at the PICA, Component and DoD levels.

Only incoming Military Interdepartmental Purchase Requests (MIPRs) are to be counted. Only original purchase requests (PRs and MIPRs) which result in an award or an order under an existing contract are counted (e.g., amendments are excluded).

b. Weighted Contracts Awarded

The SUM of: (10% TIMES the number of line items on awarded contracts) PLUS (the number of contracts awarded TIMES the weight for the corresponding Procurement Method and value of award).

Required data: Appendix D, Table G-2.

The Measure is:

VALUE/METHOD WEIGHTED CONTRACTS AWARDED--PRIMARY

Discussion:

Provides a comparable, composite measure of purchasing pre-award workload at the PICA, Component and DoD levels.

The measure is the composite total of contract equivalents using a single item contract with an award value of $500 or less as the base.

Contract awards include: definitive contracts, initial Letter Contracts, Purchase Orders, Calls under Blanket Purchase Agreements (BPAs), Orders under Basic Ordering Agreements (BOAs), and Indefinite Delivery Type Contracts (IDTCs).

Contract awards exclude: Basic Agreements, BOAs, BPAs and Orders against IDTCs; definitizing Letter Contracts, contract changes, modifications and amendments; and, orders on (1) Federal Supply Schedule Contracts, (2) General Services Administration (GSA) stores depots, (3) Federal Prison Industries, Inc., (4) The Committee for Purchases from the Blind and Other Severely Handicapped, and (5) other government agencies.

A line item is each different item (e.g., stock number, data requirement or service) ordered on a contract. Multiple destinations, deliveries, or funds for a single item are not counted as additional line items.

The weights assigned to six categories of dollar value and Procurement Method for contracts awarded are shown in Table V-6.

Table V-6

VALUE/METHOD CONTRACT AWARD CATEGORY AND WEIGHT

$ Value	Procurement Method	Weight
≤ $500	All	1
> $500; ≤ $10K	All	10
> $10K; ≤ $100K	Advertised	100
	Negotiated	150
> $100K	Advertised	650
	Negotiated	1,000

Weighting recognizes the significant differences in effort to process various procurements. The dollar value of the procurement, the procurement method, and the number of line items are given consideration in weighting. A 10% factor per line item provides credit for the additional effort related to multiple-line contracts.

2. Efficiency Indicators

a. Cost Per Weighted Contract Awarded

The QUOTIENT of: the Purchasing Pre-award Functional Costs DIVIDED BY the number of Value/Method Weighted Contracts Awarded.

Required data: Appendix D, Table G-2. [The divisor is the workload measure discussed in Paragraph 1 b above.]

The Indicator is:

PURCHASING PRE-AWARD COST PER VALUE/METHOD WEIGHTED CONTRACT AWARDED--PRIMARY

Discussion: Provides a measure of comparable purchasing pre-award unit cost at the PICA, Component and DoD levels.

b. Weighted Contracts Awarded Per Person

The QUOTIENT of: the Value/Method Weighted Contracts Awarded DIVIDED BY the Purchasing--Pre-award Functional Personnel Equivalents.

Required data: Appendix D, Table G-2. [The dividend is the workload measure discussed in Paragraph 1 b above.]

The Indicator is:

VALUE/METHOD WEIGHTED CONTRACTS AWARDED PER PERSONNEL EQUIVALENT--PRIMARY

Discussion: Provides a comparable measure of the average number of contracts awarded per person at the PICA, Component and DoD levels. Provides a basis for evaluating manpower requirements.

c. Cost Per Dollar Value of Contracts Awarded

The QUOTIENT of: [(the Value/Method Weighted Contracts Awarded for each Contract Awarded Category separately DIVIDED BY the

total Value/Method Weighted Contracts Awarded) TIMES the Purchasing--Pre-award Functional Costs]DIVIDED BY the Dollar Value of Awards for each Contract Award Category.

Required data: Appendix D, Table G-2. [The Value/Method Weighted Contracts Awarded is the workload measure discussed in Paragraph 1 b above.]

The Indicators are:

PURCHASING PRE-AWARD COST PER DOLLAR VALUE OF AWARDS OF $500 AND UNDER--PRIMARY

PURCHASING PRE-AWARD COST PER DOLLAR VALUE OF AWARDS OVER $500 AND $\leq$ $10,000--PRIMARY

PURCHASING PRE-AWARD COST PER DOLLAR VALUE OF ADVERTISED AWARDS OVER $10,000 AND $\leq$ $100,000--PRIMARY

PURCHASING PRE-AWARD COST PER DOLLAR VALUE OF NEGOTIATED AWARDS OVER $10,000 AND $\leq$ $100,000--PRIMARY

PURCHASING PRE-AWARD COST PER DOLLAR VALUE OF ADVERTISED AWARDS OVER $100,000--PRIMARY

PURCHASING PRE-AWARD COST PER DOLLAR VALUE OF NEGOTIATED AWARDS OVER $100,000--PRIMARY

Discussion: Provides a measure of the relative cost to purchase a dollar's worth of supplies or services and permits comparisons within and among PICAs and Components. Highlights areas of least favorable cost/value ratios.

3. Effectiveness Indicators

a. Percent of Contracts Awarded Exceeding Age Group

The DIFFERENCE, expressed as a percent, of: 100 MINUS [(the PRODUCT of: the number of awards within a specified age for a Contract Award Category DIVIDED BY the total number of awards for the Contract Award Category) TIMES 100].

Required data: Appendix D, Table G-2.

The Indicators are:

PERCENT OF AWARDS FOR $500 AND UNDER WITH PURCHASE REQUEST OVER 30 DAYS OLD--PRIMARY

PERCENT OF AWARDS > $500 AND ≤ $10,000 WITH PURCHASE REQUEST OVER 60 DAYS OLD--PRIMARY

PERCENT OF ADVERTISED AWARDS > $10,000 AND ≤ $100,000 WITH PURCHASE REQUEST OVER 90 DAYS OLD--PRIMARY

PERCENT OF NEGOTIATED AWARDS > $10,000 AND ≤ $100,000 WITH PURCHASE REQUEST OVER 90 DAYS OLD--PRIMARY

PERCENT OF ADVERTISED AWARDS > $100,000 WITH PURCHASE REQUEST OVER 120 DAYS OLD--PRIMARY

PERCENT OF NEGOTIATED AWARDS > $100,000 WITH PURCHASE REQUEST OVER 120 DAYS OLD--PRIMARY

Discussion:

Provides for comparison of the timeliness of Purchasing--Pre-award processing at the PICA and Component levels.

When there are multiple Purchase Requests covered by the same award, the PR with the earliest (oldest) date will determine the age of the PR at time of award. PRs that are satisfied by existing contracts are not included in this indicator.

b. Mean Procurement Administrative Leadtime (PALT) for Contracts Awarded

The QUOTIENT of: the total cumulative number of PALT days for a Contract Award Category DIVIDED BY the number of contracts awarded within the same Contract Award Category.

Required data: Appendix D, Table G-2.

The Indicators are:

PALT MEAN DAYS FOR AWARDS OF $500 AND UNDER--PRIMARY

PALT MEAN DAYS FOR AWARDS OVER $500 AND ≤ $10,000--PRIMARY

PALT MEAN DAYS FOR ADVERTISED AWARDS OVER $10,000 AND ≤ $100,000--PRIMARY

PALT MEAN DAYS FOR NEGOTIATED AWARDS OVER $10,000 AND ≤ $100,000--PRIMARY

PALT MEAN DAYS FOR ADVERTISED AWARDS OVER $100,000--PRIMARY

PALT MEAN DAYS FOR NEGOTIATED AWARDS OVER $100,000--PRIMARY

Discussion:

Provides for comparison of the responsiveness of Purchasing--Pre-award processing at the PICA and Component levels.

Data is reported in whole days from first date of receipt in the central procurement organization to the day of award, inclusive, less time in suspense awaiting funds or data from Item Management, Technical Support, the customer or others outside the procurement organization. Time for automated purchase actions is measured from PR computer print date to award date, inclusive. Time for MIPR actions is measured from the date of acceptance in the processing procurement organization to the award date, inclusive, less suspense time awaiting funds or data from functions or activities outside of the procurement organization. The award date is the date the contracting officer signs the award document.

H. PURCHASING--POST-AWARD--PRIMARY

1. Workload and Output Measures

Weighted Contracts/Orders Closed

The SUM of: (10% TIMES the number line items on closed contracts and Delivery Orders) PLUS (the number of contracts and Delivery Orders closed TIMES the weight for the corresponding Contract/Delivery Order value).

Required data: Appendix D, Table H-1. [Weights for closed contracts and Delivery Orders are shown in Table V-6.]

The Measure is:

VALUE WEIGHTED CONTRACTS/DELIVERY ORDERS CLOSED--PRIMARY

Discussion:

Provides a comparable, composite measure of Purchasing--Post-Award workload at the PICA, Component and DoD levels.

The measure is the composite total of contract/delivery order equivalents using a single item contract with an award value of $500 or less as the base.

Contracts closed include: definitive contracts, Letter Contracts, Purchase Orders, Calls under Blanket Purchase Agreements, Orders under Basic Ordering Agreements, and Indefinite Delivery Type Contracts.

Delivery Orders closed include: Delivery Orders on (1) Federal Supply Schedule Contracts, (2) General Services Administration stores depots, (3) Federal Prison Industries, Inc., (4) The Committee for Purchases from the Blind and Other Severly Handicapped, and (5) other government agencies.

Delivery Orders closed exclude: Orders against IDTCs, and contract modifications and amendments.

A line item is each different item (e.g., stock number, data requirements or service) ordered on a contract. Multiple destinations, deliveries, or funds for a single item are not counted as additional line items.

The weights shown in Table V-7 are assigned to the four categories of dollar value for contracts and Delivery Orders closed. Weighting recognizes the difference in post-award effort for various procurements. The dollar value of the contract or Delivery Order are given consideration in weighting. A 10% factor per line item provides credit for the additional effort related to multiple-line documents. Counts of contracts, Delivery Orders and line items are made at the time the Contract or Delivery Order file is closed.

Table V-7

CONTRACT AND DELIVERY ORDER VALUE AND WEIGHT

Dollar Value of Contract or Delivery Order	Weight
$\leq$ \$500	1
> \$500 $\leq$ \$10,000	5
> \$10,000 $\leq$ \$100,000	50
>\$100,000	100

One factor complicating comparability is the potential delegation of contracts to Contract Administration Services Activities. Some post-award effort by the purchasing activity is required for all contracts; however, the post-award effort by the purchasing activity on a contract delegated to a Contract Administration Service's Activity should be much less than on the same contract when retained by the purchasing activity for full administration.

2. Efficiency Indicators

a. Functional Cost Per Weighted Contract Closed

The QUOTIENT of: the Purchasing--Post-award Functional Cost DIVIDED BY the Value Weighted Contracts/Delivery Orders Closed.

Required data: Appendix D, Table H-1. [The divisor is the workload measure discussed in Paragraph 1 above.]

The Indicator is:

PURCHASING POST-AWARD COST PER VALUE WEIGHTED CONTRACT/DELIVERY ORDER CLOSED--PRIMARY

Discussion: Provides a measure of Purchasing--Post-award unit cost at the PICA, Component and DoD levels.

b. Functional Cost Per Dollar of Value of Contracts Closed

The QUOTIENT of: [(the weighted contracts/Delivery Orders Closed for each Contract Value Category DIVIDED BY the total Value Weighted Contracts/Delivery Orders Closed) TIMES the Purchasing--Post-award Functional Costs] DIVIDED BY the Dollar Value of Closed Contracts/Delivery Orders for each Contract Value Category.

Required data: Appendix D, Table H-1. [The Value Weighted Contracts/Delivery Orders Closed is the workload measure discussed in Paragraph 1 above.]

The Indicators are:

PURCHASING POST-AWARD COST PER DOLLAR VALUE OF CONTRACTS/DELIVERY ORDERS CLOSED OF $500 AND UNDER--PRIMARY

PURCHASING POST-AWARD COST PER DOLLAR VALUE OF CONTRACTS/DELIVERY ORDERS CLOSED OVER $500 AND $\leq$ $10,000--PRIMARY

PURCHASING POST-AWARD COST PER DOLLAR VALUE OF CONTRACTS/DELIVERY ORDERS CLOSED OVER $10,000 AND ≤ $100,000--PRIMARY

PURCHASING POST-AWARD COST PER DOLLAR VALUE OF CONTRACTS/DELIVERY ORDERS CLOSED OVER $100,000--PRIMARY

Discussion: Provides a measure of the relative cost to administer contracts for a dollar's worth of supplies or service and permits comparisons within and among PICAs and Components. Highlights areas of least favorable cost per value ratios.

3. Effectiveness Indicators

a. Percent of Delinquent Contract Line Items

The PRODUCT, expressed as a percent, of: (the total number of Contract Lines in a Delinquent Delivery status DIVIDED BY the Total Number of Contract Line Items for which one or more deliveries was scheduled) TIMES 100.

Required data: Appendix D, Table H-2.

The Indicator is:

PERCENT OF CONTRACT LINE ITEMS IN DELINQUENT DELIVERY STATUS--PRIMARY

Discussion: Provides a measure of both the capability of the pre-award function in estimating, negotiating, and scheduling delivery dates; and the post-award function in monitoring production and resolving problems to assure accomplishment by scheduled delivery dates. Provides comparison of effectiveness in achieving on time delivery at PICA and Component levels.

b. Percent of Contracts Retained for Full Administration

The PRODUCT, expressed as a percent, of: (the number of Contracts/Delivery Orders Closed for each Contract Value Category that were retained for Full Administration DIVIDED BY the total number of Contracts/Delivery Orders Closed for the corresponding Contract Value Category) TIMES 100.

Required data: Appendix D, Table H-1. [The Contract Value Categories are reflected in Table V-6.]

The Indicators are:

PERCENT OF CONTRACTS CLOSED $500 AND UNDER THAT WERE RETAINED FOR FULL ADMINISTRATION--PRIMARY

PERCENT OF CONTRACTS CLOSED > $500 AND ≤ $10,000 RETAINED FOR FULL ADMINISTRATION--PRIMARY

PERCENT OF CONTRACTS CLOSED > $10,000 AND ≤ $100,000 RETAINED FOR FULL ADMINISTRATION--PRIMARY

PERCENT OF CONTRACTS CLOSED OVER $100,000 RETAINED FOR FULL ADMINISTRATION--PRIMARY

Discussion: Provides an indication of the extent PICAs do not fully utilize the services of Contract Administration Services Activities.

c. Dollar Value Discounts Lost

The SUM of: Dollar Value of Discounts Lost.

Required data: Appendix D, Table H-3. [*Includes only* those Contracts or Delivery Orders which were retained by the PICA or ICA for Contract payment.]

The Indicator is:

DOLLAR VALUE OF DISCOUNTS LOST--PRIMARY

Discussion: Provides a measure of the purchasing activity's ability to make timely payments to the contractor. Large discount losses can be used to detect problem.

Group 2--LIMITED PRIMARY INVENTORY CONTROL

I. WEAPON SYSTEM SUPPORT OVERSIGHT--PRIMARY

1. Workload and Output Measures

a. Name and Military Designation Weapon Systems

List of the names and military designations of Weapon and Support Systems assigned Systems Support Oversight.

Required data: Appendix D, Table I-1.

The Measure is:

NAME AND MILITARY DESIGNATION OF EACH WEAPON AND SUPPORT SYSTEM--PRIMARY

Discussion: Identifies those Weapon Systems and Support Systems assigned to PICAs to assure system support.

b. Value of Weapon Systems Supported--Primary

The SUM of: the Inventory Dollar Value of all Weapon and Support Systems assigned to a PICA for support oversight.

Required data: Appendix D, Table I-1.

The Measure is:

INVENTORY VALUE OF WEAPON AND SUPPORT SYSTEMS ASSIGNED--PRIMARY

Discussion: Provides a gross measure of the magnitude of the systems support oversight assignment.

2. Efficiency Indicators

a. Functional Cost per $1,000,000 of Systems Supported

The QUOTIENT of: Weapon Systems Support Oversight Functional Cost DIVIDED BY the Inventory Value (in millions) of the Weapon and Support Systems supported.

Required data: Appendix D, Table I-1. [The divisor is the workload measure discussed in Paragraph 1 b above.]

The Indicator is:

WEAPON SYSTEM SUPPORT OVERSIGHT COST PER $1,000,000 OF SYSTEMS SUPPORTED--PRIMARY

Discussion: Provides for comparison of the resources allocated to Weapon Systems Support Oversight at the PICA, Component and DoD levels.

b. Millions of Dollars of Systems Value Per Person

The QUOTIENT of: the Inventory Value in millions of dollars of Weapon and Support Systems Assigned DIVIDED BY the number of Weapon Systems Support Oversight Functional Personnel Equivalents.

Required data: Appendix D, Table I-1. [The dividend is the workload measure discussed in Paragraph 1 b above.]

The Indicator is:

VALUE IN MILLIONS OF DOLLARS OF SYSTEMS SUPPORTED PER PERSONNEL EQUIVALENT--PRIMARY

Discussion: Provides comparison of manpower devoted to System Support Oversight at the PICA, Component and DoD levels.

3. Effectiveness Indicator

Not Operationally Ready-Supply (NORS) Rate

The QUOTIENT of: the number of NORS hours each Weapon and Support System assigned to the PICA was in a NORS condition DIVIDED BY the number of Possessed Hours (in the hands of the operating activity) for each Weapon and Support System assigned to the PICA.

Required data: Appendix D, Table I-2.

The Indicator is:

NOT OPERATIONALLY READY-SUPPLY (NORS) RATE

Discussion: Provides a measure of the PICAs and Components Weapon System Support Oversight effectiveness in maintaining materiel readiness for assigned systems. Criteria for NORS status will be in accordance with DoDI 7730.25, Mission Essential Materiel Readiness and Condition.

Group 3--SECONDARY INVENTORY CONTROL

J. ITEM MANAGEMENT--SECONDARY

Many of the performance indicators are common to the three separate functions of Item Management of Consumables--Secondary, Item Management of Reparables--Secondary, and Item Management of End Items--Secondary. To minimize redundancy the three separate functions are discussed concurrently.

1. Workload and Output Measures

a. Items Assigned

The SUM of: the National Stock Numbers assigned to a SICA for secondary management.

Required data: Appendix D, Table B-1.

The Measures are:

CONSUMABLE ITEMS ASSIGNED--SECONDARY

REPARABLE ITEMS ASSIGNED--SECONDARY

END ITEMS ASSIGNED--SECONDARY

TOTAL ITEMS ASSIGNED--SECONDARY

Discussion: Provides a gross indicator of the secondary item management workload and shows distribution of using Component interest items among its SICAs.

b. Requirements

The SUM of: the line items of Service Special Program Materiel Requirements PLUS line items of Other War Reserve Requirements PLUS line items of Prepositioned War Reserve Materiel Requirements forwarded by the SICA to the PICA.

Required data: Appendix D, Table J-1.

The Measures are:

REQUIREMENTS FORWARDED FOR CONSUMABLES--SECONDARY

REQUIREMENTS FORWARDED FOR REPARABLES--SECONDARY

REQUIREMENTS FORWARDED FOR END ITEMS--SECONDARY

REQUIREMENTS FORWARDED FOR ALL ITEMS--SECONDARY

Discussion: Provides a gross measure of Secondary Item Management workload.

2. Efficiency Indicators

a. Functional Cost per Item Assigned

The QUOTIENT of: the Secondary Item Management Functional Cost DIVIDED BY the number of Items Assigned.

Required data: Appendix D, Table B-1. [The divisor is the workload measure discussed in Paragraph 1 a above.]

The Indicators are:

ITEM MANAGEMENT COST PER CONSUMABLE ITEM ASSIGNED--SECONDARY

ITEM MANAGEMENT COST PER REPARABLE ITEM ASSIGNED--SECONDARY

ITEM MANAGEMENT COST PER END ITEM ASSIGNED--SECONDARY

ITEM MANAGEMENT COST PER ITEM ASSIGNED--SECONDARY

Discussion: Provides a gross measure of unit cost for the Secondary Item Management function at the Component and DoD levels.

b. Functional Cost per Requirement

The QUOTIENT of: the Secondary Item Management Functional Cost DIVIDED BY the number of line items of Requirements forwarded by the SICA.

Required data: Appendix D, Table J-1. [The divisor is the workload measure discussed in Paragraph 1 b above.]

The Indicators are:

ITEM MANAGEMENT COST PER REQUIREMENT FORWARDED FOR CONSUMABLES--SECONDARY

ITEM MANAGEMENT COST PER REQUIREMENT FORWARDED FOR REPARABLES--SECONDARY

ITEM MANAGEMENT COST PER REQUIREMENT FORWARDED FOR END ITEMS--SECONDARY

ITEM MANAGEMENT COST PER REQUIREMENT FORWARDED--SECONDARY

Discussion: Provides a comparable measure of Secondary Item Management unit cost at Component and DoD levels.

c. Special Requirements per Person

The QUOTIENT of: the total Special Requirements Forwarded DIVIDED BY the Secondary Item Management Personnel Equivalents.

Required data: Appendix D, Table J-1. [The dividend is the workload measure discussed in Paragraph 1 b above.]

The Indicators are:

SPECIAL REQUIREMENTS FORWARDED FOR CONSUMABLES PER PERSONNEL EQUIVALENT--SECONDARY

SPECIAL REQUIREMENTS FORWARDED FOR REPARABLES PER PERSONNEL EQUIVALENT--SECONDARY

SPECIAL REQUIREMENTS FORWARDED FOR END ITEMS PER PERSONNEL EQUIVALENT--SECONDARY

SPECIAL REQUIREMENTS FORWARDED FOR ALL ITEMS PER PERSONNEL EQUIVALENT--SECONDARY

Discussion: Provides a measure of comparable Item Management output per personnel equivalent at the Component and DoD levels. Provides a basis for forecasting personnel requirements.

K. STOCK CONTROL--SECONDARY

1. Workload and Output Measures

a. Items Assigned

The SUM of: the National Stock Numbers assigned to a SICA for Secondary Stock Control.

Required data: Appendix D, Table B-1.

The Measure is:

ITEMS ASSIGNED--SECONDARY

Discussion: Provides a gross indicator of the secondary stock record maintenance and requisition processing workload at the Component and DoD levels.

b. Stock Records Maintained

The SUM of: Item Stock Records Maintained for Secondary Item Management Assignments.

Required data: Appendix D, Table K-1. [Includes a count of "1" for each NSN for which an on hand or due in asset record is maintained.]

The Measure is:

ITEM STOCK RECORDS MAINTAINED--SECONDARY

Discussion: Provides a gross indicator of Secondary Stock Control workload.

c. Gross Demands Received

The SUM of: the Materiel Demands received by the SICA.

Required data: Appendix D, Table B-6.

The Measure is:

DEMANDS RECEIVED--SECONDARY

Discussion: Provides a comparison of requisition processing workload at the Component and DoD levels.

2. Efficiency Indicators

a. Stock Control Cost per Item Assigned

The QUOTIENT of: the Secondary Stock Control Functional Cost DIVIDED BY the number of Items Assigned.

Required data: Appendix D, Table B-1. [The divisor is the workload measure discussed in Paragraph 1 a above.]

The Indicator is:

STOCK CONTROL COST PER ITEM ASSIGNED--SECONDARY

Discussion: Provides a gross measure of unit cost for the Secondary Stock Control function to compare at the Component and DoD levels.

b. Demands Received Per Person

The QUOTIENT of: the number of Gross Demands Received DIVIDED BY the number of Secondary Stock Control Personnel Equivalents.

Required data: Appendix D, Table B-6. [The dividend is the workload measure discussed in Paragraph 1 c above.]

The Indicator is:

DEMANDS RECEIVED PER STOCK CONTROL PERSONNEL EQUIVALENT--SECONDARY

Discussion: Provides a comparison of the average number of gross demands processed per person at the Component and DoD levels. Provides a basis for evaluating manpower requirements.

3. Effectiveness Indicator

Ratio of Gross Demands Received to Net Demands

The RATIO of: Gross Demands received TO the Net Demands.

Required data: Appendix D, Table B-6.

The Indicator is:

RATIO OF GROSS DEMANDS RECEIVED TO NET DEMANDS--SECONDARY

Discussion: Provides a measure of requisition system effectiveness by indicating the degree to which requisitions are incorrectly prepared or routed. Identifies potential problem areas for management.

L. TECHNICAL SUPPORT--SECONDARY

1. Workload and Output Measures

a. Items Assigned

The SUM of: the National Stock Numbers assigned to a SICA for Technical Support.

Required data: Appendix D, Table B-1.

The Measure is:

ITEMS ASSIGNED--SECONDARY

Discussion: Provides a gross indicator of the Secondary Technical Support workload at the Component and DoD levels.

b. Supply Support Requests (SSRs)

The SUM of: Supply Support Requests prepared and forwarded to the PICA.

Required data: Appendix D, Table L-1. [SSRs include equivalent internal documents when Primary Management is assigned to the same activity.]

The Measure is:

SUPPLY SUPPORT REQUESTS FORWARDED--SECONDARY

Discussion: Provides a gross indicator of the Secondary Technical Support and providing workload at the Component and DoD levels.

2. Efficiency Indicators

a. Cost per Item Assigned

The QUOTIENT of: Secondary Technical Support Functional Costs DIVIDED BY the number of Items (National Stock Numbers) Assigned for Secondary Management.

Required data: Appendix D, Table B-1. [The divisor is the workload measure discussed in Paragraph 1 a above.]

The Indicator is:

TECHNICAL SUPPORT COST PER ITEM ASSIGNED--SECONDARY

Discussion: Provides a gross measure of unit cost for secondary Technical Support function at the Component and DoD levels.

b. Technical Support Cost Per Supply Support Request

The QUOTIENT of: Secondary Technical Support Functional Costs DIVIDED BY the number of Supply Support Requests Forwarded.

Required data: Appendix D, Table L-1. [The divisor is the workload measure discussed in Paragraph 1 b above.]

The Indicator is:

TECHNICAL SUPPORT COST PER SUPPLY SUPPORT REQUEST FORWARDED--SECONDARY

Discussion: Provides a comparative unit cost for the Secondary Technical Support function at the Component and DoD levels.

c. Supply Support Requests Per Person

The QUOTIENT of: the number of Supply Support Requests forwarded DIVIDED BY the Secondary Technical Support Functional Personnel Equivalents.

Required data: Appendix D, Table L-1. [The divisor is the workload measure discussed in Paragraph 1 b above.]

The Indicator is:

SUPPLY SUPPORT REQUESTS FORWARDED PER TECHNICAL SUPPORT PERSONNEL EQUIVALENT--SECONDARY

Discussion: Provides a measure of the average Supply Support Requests prepared per person at the Component and DoD levels.

M. CATALOGING--SECONDARY

1. Workload and Output Measures

a. Items Assigned

The SUM of: the National Stock Numbers assigned to a SICA for secondary cataloging.

Required data: Appendix D, Table B-1.

The Measure is:

ITEMS ASSIGNED--SECONDARY

Discussion: Provides a gross indicator of Secondary Cataloging workload at the Component and DoD levels.

b. Catalog Actions

The SUM of: the Catalog Actions Received for Collaboration PLUS the number of Catalog Actions Initiated by the SICA.

Required data: Appendix D, Table M-1. [Catalog Actions consist of a count for each NSN for which a change is proposed. Does not include Service Peculiar Management data.]

The Measure is:

CATALOG ACTIONS--SECONDARY

Discussion: Provides an indication of the Secondary Cataloging workload at the Component and DoD levels.

c. Service Peculiar Catalog Management Data

The SUM of: the Service Peculiar Catalog Management Data transactions submitted by the SICA to DLSC.

Required data: Appendix D, Table M-2.

The Measure is:

SERVICE PECULIAR CATALOG MANAGEMENT DATA SUBMISSIONS--SECONDARY

Discussion: Provides a gross measure of the Secondary Cataloging Workload at the Component and DoD levels.

2. Efficiency Indicators

a. Cost per Item Assigned

The QUOTIENT of: the Secondary Cataloging Functional Cost DIVIDED BY the number of Items Assigned.

Required data: Appendix D, Table B-1. [The divisor is the workload measure discussed in Paragraph 1 a above.]

The Indicator is:

CATALOGING COST PER ITEM ASSIGNED--SECONDARY

Discussion: Provides a gross measure of unit cost for the Secondary Cataloging function at the Component and DoD levels.

b. Cost per Catalog Action and Management Data Submission

The QUOTIENT of: the Secondary Cataloging Functional Cost DIVIDED BY (the SUM of Catalog Actions PLUS Service Peculiar Catalog Management Data Submissions).

Required data: Appendix D, Tables M-1 and M-2. [The divisor is the sum of the workload measures discussed in Paragraphs 1 b and 1 c above.]

The Indicator is:

CATALOGING COST PER CATALOG ACTION AND MANAGEMENT DATA SUBMISSION--SECONDARY

Discussion: Provides a unit cost for Secondary Cataloging at the Component and DoD levels.

c. Catalog Actions and Management Data Submissions Per Person

The QUOTIENT of: (the SUM of Catalog Actions PLUS the Service Peculiar Catalog Management Data Submissions) DIVIDED BY the Secondary Cataloging Functional Personnel Equivalents.

Required data: Appendix D, Tables M-1 and M-2. [The dividend is the sum of the workload measures discussed in Paragraphs 1 b and 1 c above.]

The Indicator is:

CATALOG ACTIONS AND MANAGEMENT DATA SUBMISSIONS PER PERSONNEL EQUIVALENT--SECONDARY

Discussion: Provides a measure of Cataloging Output per personnel equivalent at the Component and DoD levels.

Group 4--COMPONENT-WIDE AND DOD-WIDE INVENTORY CONTROL

N. STOCK CONTROL--DOD-WIDE

1. Workload and Output Measure

Documents Processed

The SUM of: the Documents (e.g., MILSTRIP and MILSTRAP) Processed by the Defense Automatic Addressing System Office.

Required data: Appendix D, Table N-1.

The Measure is:

NUMBER OF STOCK CONTROL DOCUMENTS PROCESSED--DOD-WIDE

Discussion: Provides a gross measure of the Defense Automatic Addressing System Office (DAASO) workload.

2. Efficiency Indicator

Cost per 1,000 Documents Processed

The QUOTIENT of: the Stock Control--DoD-wide Functional Cost DIVIDED BY (the number of Documents Processed) TIMES 0.001.

Required data: Appendix D, Table N-1.

The Indicator is:

STOCK CONTROL COST PER 1,000 DOCUMENTS PROCESSED--DOD-WIDE

Discussion: Provides a DAASO unit cost workload.

O. CATALOGING--COMPONENT-WIDE

1. Workload and Output Measure

Number of Recorded User Items

The SUM of: National Stock Numbers for which the Component is a recorded user in the Federal Catalog.

Required data: Appendix D, Table O-1.

The Measure is:

NUMBER OF RECORDED USER ITEMS--COMPONENT-WIDE

Discussion: Provides a gross indication of the Component Cataloging workload.

2. Efficiency Indicator

Cataloging Cost per Component Interest Item

The QUOTIENT of: the Cataloging--Component-wide Functional Cost DIVIDED BY the number of Component Recorded User Items.

Required data: Appendix D, Table O-1. [The divisor is the workload measure described in Paragraph 1 above.]

The Indicator is:

CATALOGING COST PER COMPONENT RECORDED USER ITEM--COMPONENT-WIDE

Discussion: Provides a measure of unit cost for Component-wide Cataloging at the Component and DoD levels.

P. CATALOGING--DOD-WIDE

1. Workload and Output Measure

Number of DoD Interest Items

The SUM of: the National Stock Numbers for which DoD is a Recorded User in the Federal Catalog.

Required data: Appendix D, Table P-1.

The Measure is:

NUMBER OF USER INTEREST ITEMS--DOD WIDE

Discussion: Provides a gross measure of the DoD Central Cataloging workload.

2. Efficiency Indicator

Cataloging Cost per DoD Interest Item

The QUOTIENT of: the Central Cataloging--DoD-wide Functional Cost DIVIDED BY the number of DoD Recorded User Items.

Required data: Appendix D, Table P-1. [The divisor is the workload measure discussed in Paragraph 1 above.]

The Indicator is:

CATALOGING COST PER DOD INTEREST ITEM--DOD-WIDE

Discussion: Provides a measure of unit cost for Central Cataloging at the DoD level.

Q. INTERNATIONAL LOGISTICS--DOD-WIDE

1. Workload and Output Measures

a. Price and Availability Studies

The SUM of: the Items of Supply on Price and Availability Studies completed in response to international logistics requests.

Required data: Appendix D, Table Q-1.

The Measure is:

LINE ITEMS ON COMPLETED PRICE AND AVAILABILITY STUDIES--DOD-WIDE

Discussion: Provides an indication of the International Logistics workload involved in developing an offer at the DoD level.

b. Case Lines Completed

The SUM of: the number of Case Line Items completed.

Required data: Appendix D, Table Q-1.

The Measure is:

INTERNATIONAL LOGISTICS CASE LINE ITEMS COMPLETED--DoD-WIDE

Discussion:

Provides an indication of the International Logistics workload subsequent to receipt of an approved case at the DoD level and complements the Price and Availability line item workload *measure.*

The count is for those Case Line Items Completed during the reporting period even though the case may remain open. The measure does not include the Item Management, Requisition Processing, Technical Support and Purchasing function efforts. These are included in their respective tasks lists.

2. Efficiency Indicators

a. Cost per Dollar Value of Sales

The QUOTIENT of: the International Logistics Functional Cost DIVIDED BY the total dollar value International Logistics Sales.

Required data: Appendix D, Table Q-2. [Sales include Grant Aid and nonreimbursable issues.]

The Indicator is:

INTERNATIONAL LOGISTICS COST PER DOLLAR VALUE OF SALES--DOD-WIDE

Discussion: Provides a gross measure for comparing a portion of the cost of providing International Logistics support to the value of the support provided at the DoD level.

b. Cost Per Line Item

The QUOTIENT of: the International Logistics Functional Cost DIVIDED BY (the SUM of the Line Items on Completed Price and Availability Studies PLUS the Case Line Items Completed).

Required data: Appendix D, Table Q-1. [The divisor is the sum of the workload measures discussed in Paragraphs 1 a and 1 b above.]

The Indicator is:

INTERNATIONAL LOGISTICS COST PER LINE ITEM--DOD-WIDE

Discussion: Provides a measure of unit costs for International Logistics at the DoD level covering comparable output and costs.

c. Ratio of Surcharge to Cost

The RATIO of: (the Surcharge Collected on Foreign Military Sales DIVIDED BY the International Logistics Functional Cost) TO 1.

Required data: Appendix, Table Q-2.

The Indicator is:

RATIO OF FOREIGN MILITARY SALES SURCHARGES COLLECTED TO FUNCTIONAL COST--DOD-WIDE

Discussion:

Provides a gross measure of the surcharge adequacy at the DoD level.

If the ratio is greater than 1 to 1, then the portion of the General Primary Inventory Control Functional Cost incurred in support of International Logistics must be computed to determine the adequacy of the surcharge.

3. Effectiveness Indicators

a. Percent of Support Lines Accepted

The PRODUCT, expressed as a percent, of: (the QUOTIENT of: the number of Line Items of Supply on Approved Cases DIVIDED BY the number of Line Items Offered in response to Price and Availability requests) TIMES 100.

Required data: Appendix D, Table Q-1.

The Indicator is:

PERCENT OF INTERNATIONAL LOGISTICS SUPPORT LINES ACCEPTED--DOD-WIDE

Discussion: Provides a measure of results effected compared to the effort expended. This indicator highlights the disparity between line items researched and offered (Line Items on Studies Completed) and those line items accepted and purchased by the foreign country (Approved Cases).

b. Percent Demand Satisfaction

The DIFFERENCE, expressed as a percent, of: 100 MINUS [(the QUOTIENT of: the number of Delayed Issues DIVIDED BY the number of Net Demands) TIMES 100].

Required data: Appendix D, Tables B-5 and B-6.

The Indicators are:

PERCENT FOREIGN DEMAND SATISFACTION FOR CONSUMABLE ITEMS--DOD-WIDE

PERCENT FOREIGN DEMAND SATISFACTION FOR REPARABLE ITEMS--DOD-WIDE

PERCENT FOREIGN DEMAND SATISFACTION FOR END ITEMS--DOD-WIDE

PERCENT FOREIGN DEMAND SATISFACTION FOR ALL ITEMS--DOD-WIDE

Discussion: Provides a measure of how well DoD is providing immediate response to Foreign customer's total requirements.

R. SPECIAL ASSIGNMENTS--DOD-WIDE

1. Workload and Output Measures

a. Projects Assigned

List of each FIIG Development Project Assigned and each Standardization Project Assigned by title and identification number.

Required data: Appendix D, Table R-1.

The Measure is:

SPECIAL PROJECTS ASSIGNMENTS--DOD-WIDE

Discussion:

Identifies those FIIG Development and Standardization Projects assigned to a PICA.

FIIG development project assignments reported will identify each Federal Supply Class involved and reflect the purpose of the project (i.e., development of a new FIIG or revision of an existing FIIG). Standardization projects reported will identify type of project (development of new, revised, or amended specifications, standards or handbooks; item reduction studies; engineering practices studies; military advisory parts control group projects; or projects for review of average standardization documents). Standardization reports will reflect the responsibility of the reporting activity as assignee, preparing activity or participating activity.

The project reports included in this measure are widely divergent. The effort related to any one project varies widely dependent upon many factors and conditions and therefore is not comparable.

b. Items Reviewed for Item Reduction

The SUM of: the total number of Item Reduction Studies Completed and the SUM of: the total number of Items Reviewed in Item Reduction Studies Completed.

Required data: Appendix D, Table R-2.

The Measures are:

NUMBER OF ITEM REDUCTION STUDIES COMPLETED--DOD-WIDE

NUMBER OF ITEMS REVIEWED ON COMPLETED ITEM REDUCTION STUDIES--DOD-WIDE

Discussion:

Provides a gross measure of the item reduction workload and the relative complexity of the studies.

The measures do not represent the entire function; only a portion of it. However, item reduction is usually a significant portion of the total function in terms of resources consumed.

c. New or Revised FIIGs

The number of new or Revised FIIGs developed and submitted to DLSC.

Required data: Appendix D, Table R-3.

The Indicator is:

NUMBER OF FIIGs SUBMITTED--DOD-WIDE

Discussion: Provides a gross measure of the FIIG development workload.

2. Efficiency Indicator

Resources Consumed

The total Special Assignment Functional Cost.

The Indicator is:

RESOURCES CONSUMED FOR SPECIAL ASSIGNMENTS--DOD-WIDE

Discussion:

Provides management with the total cost of the FIIG assignment workload and the workload involved in the standardization assignments of each activity.

Comparable measures of workload have not been developed and consequently no efficiency indicators are included.

3. Effectiveness Indicator

Percent of Items Scheduled for Elimination

The PRODUCT, expressed as a percent, of (the QUOTIENT of: the number of Items Scheduled for Elimination from the supply system DIVIDED BY the number of Items Reviewed for Item Reduction) TIMES 100.

Required data: Appendix D, Table R-3.

The Indicator is:

PERCENT OF ITEMS REVIEWED SCHEDULED FOR ELIMINATION--DOD-WIDE

Discussion:

Provides a measure of the effectiveness of Item Reduction Studies.

Item Reduction actions consume a significant portion of the total resources expended in this function at most ICP activities. DoD policy regarding item reduction, specified in DSAM 4120.3-M, Standardization Policies, Procedures and Instructions, states that "Item reduction shall be undertaken only when the expected benefits outweigh the costs of doing the job." The number of items scheduled for elimination as a result of item reduction efforts is a measure of the benefits attained. Stating the measure as a percentage eliminated differences in attainment which results from differences in reduction potential for different items, thus making this measure more comparable between activities.

Group 5--FUNCTIONAL MANAGEMENT (OVERHEAD)

S. FUNCTIONAL MANAGEMENT

1. Introduction. Functional Management is an overhead or indirect function. For many of its tasks, such as supervision, there is no tangible output products. Other tasks, such as typing, produce tangible output products but do not represent a significant portion of the function to merit use as a productivity measure. The productivity and effectiveness of Functional Management will be evaluated indirectly through the performance indicators for the direct mission functions supported.

2. Efficiency Indicators

a. Ratio of Indirect to Direct Cost

The RATIO of: 1 TO (Direct Inventory Control Cost or Direct Purchasing Cost DIVIDED BY Corresponding Functional Management Cost).

The Indicators are:

THE RATIO OF FUNCTIONAL MANAGEMENT COST TO DIRECT MATERIEL MANAGEMENT COST

THE RATIO OF FUNCTIONAL MANAGEMENT COST TO DIRECT PURCHASING COST

Discussion:

Provides a measure of comparable Functional Management cost at the PICA/SICA, Component and DoD levels.

The ratios are computed subsequent to and based on the allocation of the Functional Management cost to the direct Inventory Control and Noninventory Control Mission functions supported. Data Processing Operations costs are not included. Ratios are computed only at the Summary Materiel Management and Summary Purchasing levels because the ratios are constant within a summary functional area.

b. Ratio of Indirect to Direct Personnel

The RATIO of: 1 TO (Direct Inventory Control Personnel Equivalents or Direct Purchasing Personnel Equivalents DIVIDED BY Corresponding Functional Management Personnel Equivalents).

The Indicators are:

THE RATIO OF FUNCTIONAL MANAGEMENT PERSONNEL EQUIVALENTS TO DIRECT MATERIEL MANAGEMENT PERSONNEL EQUIVALENTS

THE RATIO OF FUNCTIONAL MANAGEMENT PERSONNEL EQUIVALENTS TO DIRECT PURCHASING PERSONNEL EQUIVALENTS

Discussion:

Provides a measure of comparable Functional Management Personnel Equivalents at the PICA, Component and DoD levels.

The ratios are computed subsequent to and based on the allocation of the Functional Management Personnel Equivalents to the direct Inventory Control and Noninventory Control Mission functions supported. Data Processing Operations personnel equivalents are not included. Ratios are computed only at the Summary Materiel Management and Summary Purchasing levels because the ratios are constant within a summary functional area.

Group 6--ACTIVITY-WIDE SUPPORT (OVERHEAD)

T. DATA SYSTEMS DEVELOPMENT AND OPERATIONS

Data Systems Development are not charged back to the individual PICAs and SICAs nor to individual functions. Data Processing Operations are considered an integral part of the functions supported and are charged back accordingly. No separate indicators for Data Systems Development and Operations are proposed.

U. COMMAND AND SUPPORT

1. Introduction. The four Command and Support functions are overhead or indirect functions. These overhead functions are evaluated relative to the mission functions supported rather than independently.

2. Efficiency Indicators

a. Ratio of Indirect to Direct Cost

The RATIO of: 1 TO (Inventory Control Functional Cost DIVIDED BY Command and Support Functional Cost).

The Indicators are:

THE RATIO OF COMMANDER AND STAFF ELEMENTS COST TO INVENTORY CONTROL COST

THE RATIO OF BASE OPERATIONS COST TO INVENTORY CONTROL COST

THE RATIO OF REAL PROPERTY MAINTENANCE AND UTILITIES COST TO INVENTORY CONTROL COST

THE RATIO OF ALL ALLOCABLE COMMAND AND SUPPORT COST TO INVENTORY CONTROL COST

Discussion:

Provides a comparable Command and Support cost at the PICA, Component and DoD levels.

The ratios are computed subsequent to and based on the allocations of Command and Support cost to the Inventory Control and Noninventory Control functions supported. Data Processing Operations cost are included in both the Command and Support and the Inventory Control Costs. Inventory Control Costs also include the Functional Management Costs. Ratios are computed only at the Summary Inventory Control level because the ratios are constant within this area.

b. Ratio of Indirect to Direct Personnel

The RATIO of: 1 TO (Inventory Control Functional Personnel Equivalents DIVIDED BY Command and Support Functional Personnel Equivalents).

The Indicators are:

THE RATIO OF COMMAND AND STAFF ELEMENTS PERSONNEL EQUIVALENTS TO INVENTORY CONTROL PERSONNEL EQUIVALENTS

THE RATIO OF BASE OPERATIONS PERSONNEL EQUIVALENTS TO INVENTORY CONTROL PERSONNEL EQUIVALENTS

THE RATIO OF REAL PROPERTY MAINTENANCE AND UTILITIES PERSONNEL EQUIVALENTS TO INVENTORY CONTROL PERSONNEL EQUIVALENTS

THE RATIO OF ALL ALLOCABLE COMMAND AND SUPPORT PERSONNEL EQUIVALENTS TO INVENTORY CONTROL PERSONNEL EQUIVALENTS

Discussion:

Provides comparable Command and Support Personnel Equivalents at the PICA, Component and DoD levels.

The ratios are computed subsequent to and based on the allocations of Command and Support Personnel Equivalents to the Inventory Control and Noninventory Control functions supported. Data Processing Operations Personnel Equivalents are included in both the Command and Support, and the Inventory Control Personnel Equivalents. Inventory Control Personnel Equivalents also include the Functional Management Personnel Equivalents. Ratios are computed only at the Summary Inventory Control level because the ratios are constant within this area.

3. Effectiveness Indicators

a. Percent of Nonallocated Cost

The PRODUCT, expressed as a percent of: (the QUOTIENT of: the Nonallocated Services Cost DIVIDED BY the total Command and Support Cost) TIMES 100.

The Indicator is:

PERCENT OF NONALLOCATED COMMAND AND SUPPORT COST

Discussion: Provides a measure of the extent to which Command and Support costs are not allocated. High percentages indicate a need to review tasks with the objective of reducing the amount of Nonallocated Cost.

b. Percent of Nonallocated Personnel

The PRODUCT, expressed as a percent of: (the QUOTIENT of: the Nonallocated Services Personnel Equivalents DIVIDED BY the total Command and Support Personnel Equivalents) TIMES 100.

The Indicator is:

PERCENT OF NONALLOCATED COMMAND AND SUPPORT PERSONNEL EQUIVALENTS

Discussion: Provides a measure of the extent to which Command and Support Personnel Equivalents are not allocated. High percentages indicate a need to review tasks with the objective of reducing the amount of Nonallocated Personnel Equivalents.

Group 7--MULTI-FUNCTIONS

V. MULTI-FUNCTION PERFORMANCE INDICATORS

1. Introduction. The indicators discussed in this paragraph are designed to measure the combined performance of two or more functions previously considered separately in this Chapter. The emphasis in the selection of the indicators presented is on providing the broadest coverage of functions possible within the limitations of comparability. No new workload or output measures are presented here. The efficiency indicators are based on workload and output measures developed in preceding paragraphs.

2. Efficiency Indicators

a. Total ICP Cost per Item

The QUOTIENT of: ICP Total Cost, including Data Systems Development, DIVIDED BY the Total National Stock Numbers for which DoD is a recorded user in the Federal Catalog.

Required data: Appendix D, Table P-1. [The divisor is the workload measure discussed in Paragraph P-1 above.]

The Indicator is:

TOTAL ICP COST (INCLUDING DATA SYSTEMS) PER DOD INTEREST ITEM--DOD-WIDE

Discussion:

Provides a measure of the unit cost to perform all wholesale level Inventory Control functions with their pro rata support at the DoD level.

The costs reflected in this measure are the Total Cost, as defined in Paragraph A 5 e above, for all Inventory Control functions, i.e., Group 1 through Group 6, including Data Systems Development.

b. DoD Interest Items per Person

The QUOTIENT of: the number of National Stock Numbers with DoD Interest DIVIDED BY the ICP Total Personnel Equivalents, including Data Systems Development.

Required data: Appendix D, Table P-1.

The Indicator is:

DOD INTEREST ITEMS PER TOTAL ICP PERSONNEL EQUIVALENT (INCLUDING DATA SYSTEMS)--DOD-WIDE

Discussion:

Provides a gross measure of the average productivity per person for all wholesale level Inventory Control functions with their pro rata support at the DoD level.

The personnel reflected in this measure are the Total Personnel Equivalents, as defined in Paragraph A 5 e above, for all Inventory Control functions, i.e., Group 1 through Group 6, including Data Systems Development.

c. Materiel Management Cost per DoD Interest Item

The QUOTIENT of: Materiel Management Total Cost DIVIDED BY the total National Stock Numbers with DoD Interest.

Required data: Appendix D, Table P-1.

The Indicator is:

MATERIEL MANAGEMENT TOTAL COST PER DOD INTEREST ITEM--DOD-WIDE

Discussion:

Provides a gross measure of the unit cost to perform the wholesale level Materiel Management functions with their pro rata support at the DoD level.

The costs reflected in this measure are the Total Cost, as defined in Paragraph A 5 e above, for Materiel Management which includes Group 1, less Purchasing--Pre-award and Purchasing--Post-award, and Group 2 through Group 4.

d. Cataloging Cost per DoD Interest Item

The QUOTIENT of: Total Cataloging Cost DIVIDED BY the total number of National Stock Numbers with DoD Interest.

Required data: Appendix D, Table P-1.

The Indicator is:

CATALOGING TOTAL COST PER DOD INTEREST ITEM--DOD-WIDE

Discussion:

Provides a gross measure of the unit cost to perform the wholesale level Cataloging functions with their pro rata support at the DoD level.

The costs reflected in this measure are the Total Costs, as defined in Paragraph A 5 e above, for Cataloging which includes the functions of Cataloging--Primary, Cataloging--Secondary, Cataloging--Component-wide and Cataloging--DoD-wide.

e. Item Management Cost per DoD Interest Item

The QUOTIENT of: Item Management Total Cost DIVIDED BY the total number of National Stock Numbers with DoD Interest.

Required data: Appendix D, Table P-1.

The Indicator is:

ITEM MANAGEMENT TOTAL COST PER DOD INTEREST ITEM--DOD-WIDE

Discussion:

Provides a gross measure of the unit cost to perform the wholesale level Item Management functions with their pro rata support at the DoD level.

The costs reflected in this measure are the Total Cost, as defined in Paragraph A 5 e above, for Item Management which includes the functions of Item Management--Primary and Item Management--Secondary for End Items, Reparables and Consumables.

f. Technical Support Cost per DoD Interest Item

The QUOTIENT of: Technical Support Total Cost DIVIDED BY the total number of National Stock Numbers for which DoD is a recorded user.

Required data: Appendix D, Table P-1.

The Indicator is:

TECHNICAL SUPPORT TOTAL COST PER DOD INTEREST ITEM--DOD-WIDE

Discussion:

Provides a gross measure of the unit cost to perform the wholesale level Technical Support functions with their pro rata support at the DoD level.

Technical Support includes the functions Technical Support--Primary and Technical Support--Secondary.

g. Secondary Materiel Management Cost per Item

The QUOTIENT of: Secondary Materiel Management Total Cost DIVIDED BY the number of Items Assigned for Secondary Management.

Required data: Appendix D, Table B-1.

The Indicator is:

SECONDARY MATERIEL MANAGEMENT TOTAL COST PER ITEM ASSIGNED--COMPONENT-WIDE

Discussion:

Provides a comparable measure of the unit cost to perform the wholesale level Secondary Materiel Management functions with their pro rata support at the Component and DoD levels.

Secondary Materiel Management includes the functions in Group 3.

h. General Primary Inventory Control Cost Per Demand Weighted Item

The QUOTIENT of: the General Primary Inventory Control Total Cost DIVIDED BY the number of Demand Weighted Items Managed.

Required data: Appendix D, Table B-2. [The divisor is the workload measure Demand Weighted Items Managed--Primary developed in Paragraph B 1 b above.]

The Indicator is:

GENERAL INVENTORY CONTROL MANAGEMENT TOTAL COST PER DEMAND WEIGHTED ITEM MANAGED--PRIMARY

Discussion:

Provides a comparable measure of the unit cost to perform the wholesale level General Primary Inventory Control functions with their pro rata support at the PICA, Component and DoD levels.

The costs reflected in this measure are the Total Cost, as defined in Paragraph A 5 e above, for General Primary Inventory Control which includes the functions in Group 1.

i. General Primary Materiel Management Cost Per Demand Weighted Item

The QUOTIENT of: the General Primary Materiel Management Total Cost DIVIDED BY the number of Demand Weighted Items Managed.

Required data: Appendix D, Table B-2. [The divisor is the workload measure Demand Weighted Items Managed--Primary developed in Parabraph B 1 b above.]

The Indicator is:

GENERAL MATERIEL MANAGEMENT TOTAL COST PER DEMAND WEIGHTED ITEM MANAGED--PRIMARY

Discussion:

Provides a comparable measure of the unit cost to perform the wholesale level General Primary Materiel Management functions with their pro rata support at the PICA, Component and DoD levels.

The costs reflected in this measure are the Total Cost, as defined in Paragraph A 5 e above, for General Primary Materiel Management which includes the functions in Group 1 less Purchasing--Pre-award and Purchasing--Post-award.

j. Purchasing Cost per Dollar Value of Contracts Awarded

The QUOTIENT of: the Primary Purchasing Total Cost DIVIDED BY the Dollar Value of Contracts awarded.

Required data: Appendix D, Table G-2.

The Indicator is:

PURCHASING TOTAL COST PER DOLLAR VALUE OF CONTRACTS AWARDED--PRIMARY

Discussion:

Provides a comparable measure of the unit cost to perform the wholesale level Primary Purchasing functions with their pro rata support at the PICA, Component and DoD levels.

The costs reflected in this measure are the Total Cost, as defined in Paragraph A 5 e above, for Primary Purchasing which includes the functions Purchasing--Pre-award and Purchasing--Post-award.

3. Effectiveness Indicators

a. Accuracy of Procurement Leadtime Elements

The PRODUCT, expressed as a percent, of: (the number of NSNs on Procurement Requests for each Difference Interval separately DIVIDED BY the total number of NSNs on Procurement Requests for all Difference Intervals) TIMES 100.

Required data: Appendix D, Table V-1.

The Indicators are:

PERCENT OF STOCKED CONSUMABLE ITEMS AWARDED MORE THAN 60 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS AWARDED MORE THAN 30 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS AWARDED MORE THAN 10 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS AWARDED MORE THAN 10 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS AWARDED MORE THAN 30 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS AWARDED MORE THAN 60 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PRODUCED MORE THAN 60 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PRODUCED MORE THAN 30 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PRODUCED MORE THAN 10 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PRODUCED MORE THAN 10 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PRODUCED MORE THAN 30 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PRODUCED MORE THAN 60 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 60 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 30 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 10 DAYS AHEAD OF PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 10 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 30 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 60 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 90 DAYS BEHIND PROJECTION--PRIMARY

PERCENT OF STOCKED CONSUMABLE ITEMS PROCURED MORE THAN 120 DAYS BEHIND PROJECTION--PRIMARY

Discussion:

Provides a measure of the effectiveness of the Reorder Point system to generate "buy" requirements within acceptable limits of current actual leadtimes and the effectiveness of item management, technical, purchasing and contractor personnel in performing their functions within the time required to preclude out of stock conditions.

Approximately 70% of the DoD managed items are stocked consumable items and subject to management under a Reorder Point concept and systems. The concept is predicated on a valid projection of leadtimes required to accomplish resupply. To preclude unnecessary inventory investment and out of stock conditions, resupply must be accomplished within the projected leadtimes.

For the purposes of these indicators the Procurement Leadtime cycle begins with the date that the Reorder Point is initially reached and ends on the data that the first significant

receipt is posted to the PICA on-hand balance. The Administrative Leadtime segment covers from the Reorder Point date to the date of award for new contracts or date of delivery order under existing contracts. The Production Leadtime covers from the Award or order date to the date that the first significant receipt is posted to the on-hand balance.

b. Variance from Economic Order Quantity

The PRODUCT, expressed as a percent, of: (the number of NSNs on Procurement Requests for each EOQ Variance Group separately DIVIDED BY the total number of NSNs on Procurement Requests for all EOQ Variance Groups) TIMES 100.

Required data: Appendix D, Table V-2.

The Indicators are:

PERCENT OF STOCKED CONSUMABLE ORDER QUANTITIES LESS THAN 50% OF EOQ--PRIMARY

PERCENT OF STOCKED CONSUMABLE ORDER QUANTITIES LESS THAN 75% of EOQ--PRIMARY

PERCENT OF STOCKED CONSUMABLE ORDER QUANTITIES LESS THAN 85% of EOQ--PRIMARY

PERCENT OF STOCKED CONSUMABLE ORDER QUANTITIES LESS THAN 95% of EOQ--PRIMARY

PERCENT OF STOCKED CONSUMABLE ORDER QUANTITIES MORE THAN 115% OF EOQ--PRIMARY

PERCENT OF STOCKED CONSUMABLE ORDER QUANTITIES MORE THAN 150% of EOQ--PRIMARY

PERCENT OF STOCKED CONSUMABLE ORDER QUANTITIES MORE THAN 200% OF EOQ--PRIMARY

Discussion:

Provides a measure of the degree of compliance with DoDI 4140.39, Procurement Cycles and Safety Levels of Supply for Secondary Items.

The EOQ quantity is the Procurement Cycle Quantity plus the reorder point shortage as computed in accordance with

DoDI 4140.39 at the time the Purchase Request is approved. The Order Quantity is the total quantity of an NSN order on the Purchase Request.

W. SUMMARY

The foregoing paragraphs describe 36 types of workload measures and 96 types of performance indicators for the 32 Inventory Control and Support functions defined in Chapter IV. The performance indicators provide measures of efficiency and effectiveness regardless of organizational placement of a function.

The workload measures and performance indicators were developed without the benefit of a uniform data base. As a uniform data base evolves, the measures and indicators must be evaluated and revisions made to enhance their value to management.

Key observations concerning the proposed performance indicators are:

** Indicators have limitations on their usefulness for making comparisons. Most can be used at the PICA level. Others are limited to the Component or only the DoD level.

** The indicators are not intended as measures of PICAs as organizational entities, but to evaluate the total performance for a Management Assignment, e.g., the PICA, its ICAs, policies, systems, and procedures.

** SICA functional performance is evaluated only at the Component and DoD levels.

** The full range of indicators which can be developed from the data base is not shown. For example, only one output per personnel equivalent in the multi-function area is shown; however, one could be developed for each unit cost indicator.

** It is not intended that all indicators be presented to management. A very selective process (discussed in Chapter VI) identifies those measures with sufficient significance for presentation to management at a particular point in time.

** The requirements specified in Appendix D cover over 1,300 items of data; however, approximately 75% of the data items are required under existing DoD Directives and many of the remaining 25% are available in one or more Component Management Information systems.

** Weighting is a key to comparability for some measures and indicators. Weights would be applied at the central data bank (see Chapter VI, Paragraph E). The proposed weights are tentative, subject to validation and change, and revised weights may be applied retroactively.

** For some functions, more than one workload measure is provided to permit future evaluation on the basis of actual data and selection of the better indicator.

Costs and man-hours are basic ingredients of efficiency measures. Two adjectives, "Functional" and "Total", are applied to cost and personnel equivalents in formulating efficiency indicators. Functional includes the direct cost or personnel for performing the function or functions plus the allocated Functional Management and Data Processing Operations cost or personnel. Total includes the Functional cost or personnel plus the pro rata Command and Support cost or personnel. The entire Data Processing Operations Functional Cost and Personnel Equivalents are charged back to the functions supported. Data Systems Development Functional Cost and Personnel Equivalents are included only at the DoD level and only when specifically indicated.

To the extent that PICAs missions include the limited function of Weapon System Support Oversight, they are not totally comparable. However, with regard to the performance of other PICA functions, the proposed workload measures and performance indicators are designed to assist management in workload forecasting, budget preparation, policy evaluation, making trade-off decisions, and making comparative evaluations of efficiency and effectiveness.

CHAPTER VI

THE MANAGEMENT INFORMATION SYSTEM

A. INTRODUCTION

The purpose of this Chapter is to synthesize the objectives, findings, and conclusions of the preceding chapters into an Inventory Control Point (ICP) Management Information System (MIS) designed to meet the objectives of this Study and the needs of management at the Activity, Component, and Office of the Secretary of Defense (OSD) levels. Therefore, the remainder of the Chapter and its associated Appendices describe the content and characteristics of that ICP MIS in terms of:

* An Account Structure and Data Identification - How information should be reported.

* Accounting for Overhead - How indirect cost and personnel equivalents are accounted for.

* Reporting Activities - Who should report information.

* Reporting Processes - How, when, and where to report information.

* System Management - What is required to establish, operate, maintain, and improve a valid and responsive MIS.

B. AN ACCOUNT STRUCTURE AND DATA IDENTIFICATION

1. Need and Concept

Chapter IV and Chapter V with its associated Appendix D identify and define 32 inventory control and support functions and over 1,300 data items required to establish comparable workload, effectiveness, and efficiency indicators for these functions. While the vast majority of data items are required by current directives, the number is imposing and does demonstrate the need for a vehicle to facilitate identifying, recording, collecting, and processing the information.

One common vehicle for recording and processing such data is a "chart of accounts." A chart of accounts for recording and processing ICP management data, in addition to identifying the inventory functions, should provide for: (a) uniform, standard application by each reporting activity for the range of functions and

tasks included, (b) expansion to include functions not within the scope of this Study, (c) division into additional functions if future management requirements necessitate, (d) summation of individual functions into broader management categories, (e) subdivision of standard accounts to meet Activity and Component level management requirements, and (f) accommodation of system modifications.

A chart of accounts alone will not suffice. Other identifications are required to indicate the reporting activity, the management assignment, the program against which the resources are charged and the specific data reported.

2. Proposed Chart of Accounts. A proposed Chart of Accounts, having the characteristics outlined above, is set forth in Appendix E, "Proposed Standard Chart of Accounts." The account structure provides for mission and support functional breakouts and direct and overhead breakouts. Each Basic, Subsidiary and Summary Account is identified with an account number. Additional account numbers are shown in parentheses to illustrate flexibility in incorporating additional functions in the future and the subdividing of accounts for internal Component or Activity use. The functions and associated task list for each Basic Account are described in Chapter IV. Key features of the account structure are described in the following subparagraphs.

a. Types of Accounts. The proposed account structure includes three different types of accounts: Basic Accounts, Subsidiary Accounts, and Summary Accounts.

(1) Basic Accounts. A Basic Account is established and uniquely identified for each separate Inventory Control and Support function. Basic Accounts are also established for Noninventory Control Mission functions. Basic Accounts identify the minimum level of detail which each activity is required to collect and report. There are two categories of Basic Accounts: Mission Accounts and Support Accounts.

(a) Mission Accounts. Mission Accounts reflect information related to the performance of mission functions. Mission Accounts are provided for each Inventory Control function established in Chapter IV. Mission Accounts are provided for noninventory control functions as well, to ascertain activity totals for distribution of support costs, reconciliation, and analysis. Mission Accounts are classified as either direct or indirect (overhead).

(b) Support Accounts. Support Accounts reflect information related to Data Systems, and Command and Support functions. Support Accounts are provided for each Support function established in Chapter IV. Support Accounts are classified only as overhead.

(2) Subsidiary Accounts. Subsidiary Accounts are provided to distribute and reconcile Overhead (Functional Management and Command and Support functions) costs and man-hours. A Subsidiary Account is established for each Basic or Summary Account to which Overhead cost and man-hours subsequently are transferred. The sum of the Subsidiary Accounts should be equal to the corresponding basic Functional Management or basic Support account.

(3) Summary Accounts. Summary Accounts provide the means of aggregating two or more Basic Accounts into broader functional groupings and provide multiple levels of summary, e.g., Item Management of Consumables (Primary and Secondary) and Item Management (End Items, Reparables, and Consumables--Primary and Secondary). Command and Support costs and man-hours other than Data Processing Operations are transferred to summary accounts only. A special Summary Account is established for Tenant Support.

b. Subdividing Accounts. Subdivision of the standard accounts is necessary to provide flexibility for management at the Activity and Component levels. The account structure is designed to permit Components or their activities to subdivide any of the standard accounts provided the integrity of this Department of Defense Standard Chart of Accounts is maintained.

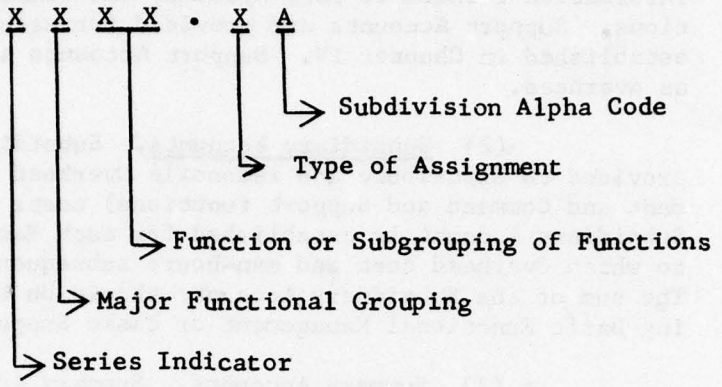
c. Account Numbering. The account numbering system for the proposed Standard Chart of Accounts is based on a four digit whole number, one decimal position, and an alpha suffix. The numbering system is designed to meet the requirements set forth above in Paragraph 1. The application of the numbering system to the Standard Chart of Accounts is shown in Appendix E. The explanation of the system follows:

(1) Numbering Structure

(a) Series. Three series of accounts are used:

7000 Series - Inventory Control Mission Accounts
8000 Series - Noninventory Control Mission Accounts
9000 Series - Activity-wide Support Accounts

(b) Basic And Summary Accounts



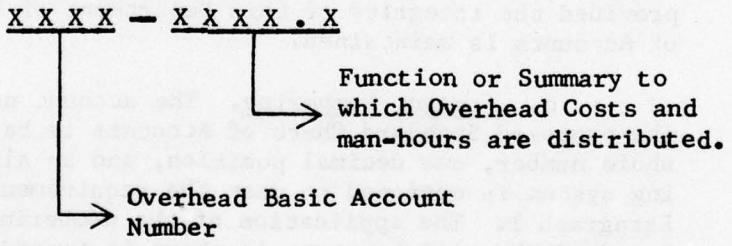
Major Functional Grouping Summary: e.g., 1 = Materiel Management;
2 = Procurement

Function or Subgrouping Summary: e.g., 10 = Item Management--Summary;
11 = Item Management Consumables

Function by Type of Assignment: .1 = Primary; .2 = Secondary;
.3 = Component-wide; .4 = DoD-wide

Subdivision Alpha Code: An Activity may assign an alpha code subdividing an account for its own purpose.

(c) Subsidiary Account



(2) Special Considerations

Within the 7000 Series of Inventory Control Mission Accounts, provisions have been made for future expansion to cover other inventory control functions not within the scope of this Study, e.g., Distribution Operations and Depot Maintenance Operations. Initially these functions will be included in the 8000 series.

The 8000 series of accounts cover functions outside the scope of this Study and the only breakout is 8100, Mission Functions and 8900, Functional Management. This breakout is needed for distributing Functional Management costs and man-hours, such as those of the Director of Procurement, which are included in the 7000 series but also apply to Noninventory Control Functions. The 8000 series also provides a basis for distribution of overhead costs and man-hours and facilitates reconciliation of total activity costs. The Components are authorized to develop further the 8000 series to meet their individual requirements for Mission functions not included in the 7000 series.

3. Data Identification. The Chart of DoD Standard Accounts is the basic framework for identifying, communicating and processing the elements of management information; however, the account structure by itself is not adequate. The following other types of identification must be used in conjunction with the Chart of Accounts.

a. Reporting Activity. Each activity performing PICA, SICA, or ICA tasks must be identified with the management information it reports.

b. Type of Assignment. Each Reporting Activity must identify and report separately by each PICA Management Assignment and in total for SICA, Component-wide and DoD-wide Assignments, for each appropriate Basic and Subsidiary Account.

c. Program Element. Each Reporting Activity must identify and report separately resources by program element for each of the applicable Basic and Subsidiary DoD Standard Accounts for each Type of Assignment.

d. Common Data Elements

There are five data elements which are common to and reported for each of the accounts in the Chart of Accounts. These common elements are:

Civilian Personnel Cost
Military Personnel Cost
Nonpersonnel Cost (e.g., supplies and equipment)
Civilian Man-hours
Military Man-hours

Data Processing Operations Nonpersonnel Costs are further subdivided into Equipment Cost and Other Nonpersonnel Cost.

The accumulation of the Functional Cost and Functional Personnel Equivalents for a Management Assignment is illustrated in Figure VI-1.

FUNCTIONAL COST AND PERSONNEL EQUIVALENTS
MISSION FUNCTION ACCOUNT:
7121.1 PRIMARY REQUISITION PROCESSING (CONSUMABLES)

Cost Accounts	Program Element	Mgmt Assgn	1/ Reptg Acty	Man-hours Civ Pers	Man-hours Mil Pers	Cost Civ Pers	Cost Mil Pers	Cost Non-pers
7121.1	71120	PICA #1	PICA #1	24,000	800	$135,000	$6,400	$1,200
7121.1	71110	PICA #1	ICA #1	1,550	750	7,750	5,100	475
7910-7121.1	71120	PICA #1	PICA #1	4,000	1,250	24,000	9,600	750
7910-7121.1	71110	PICA #1	ICA #1	160	640	800	4,480	200
9120-7121.1	728980	PICA #1	PICA #1	3,200	310	16,000	620	2,570
9120-7121.1	728980	PICA #1	ICA #1	320	480	1,600	3,360	850

1/ Only one ICA is shown. Every applicable ICA would appear in actual displays.

Figure VI-1

e. Expenditure and Imputed Cost Data. In addition to the five common cost data elements and the additional Data Processing Operations Nonpersonnel Cost breakout of Equipment and Other Nonpersonnel Cost, the following data elements are required for each Basic Support Account by Program Element.

Expenditures:
- Civilian Personnel
- Military Personnel
- Nonpersonnel

Imputed Cost:
- Civilian Personnel
- Military Personnel
- Nonpersonnel
- Equipment (Data Processing Operations only)
- Other Nonpersonnel (Data Processing Operations only)

f. Related Data. Chapter V and Appendix D show over 1,300 items of data for use in computing workload and performance indicators. Because some of these data (e.g., number of Items Assigned; number of Demand Weighted Items Managed) are used for more than one function, the data will not be reported by cost account. Identification will be accomplished by titles in reports and by position in record formats.

4. Reconciliation of Cost and Expenditures

One of the primary purposes of the Management Information System is to provide data for the preparation and support of the budget. Several factors result in differences between the expenditures under the budget and the costs reported under the Chart of Accounts. These factors are: (a) differences between functions covered under a program element and those covered under a cost account or group of accounts, (b) the mixture of Inventory Control and Noninventory Control functions under the same program element, (c) the inclusion of imputed costs (costs without corresponding expenditures by the reporting activity), and (d) the exclusion from costs of expenditures for Noninventory Control functions or in support of tenants.

Expenditures and costs will be reconciled by each Reporting Activity for each Program Element which supports one of the Inventory Control Mission Accounts or one of the Activity-wide Support Accounts. For each Program Element, the reconciliation will reflect the expenditure and cost data for the twenty accounts in Appendix E preceded by an asterisk (*).

C. ACCOUNTING FOR OVERHEAD

The Basic Overhead Accounts of Functional Management and Command and Support provide the means of collecting costs and man-hours for indirect functions for periodic distribution to subsidiary accounts and transfer to Functional Cost or Personnel Equivalents.

1. Functional Management. Functional Management Costs and Man-hours are allocated on the basis of the ratio of the dollars of direct cost for each Mission Function supported to the total dollars of direct cost for the supported Mission Functions. Separate ratios are computed monthly for each Basic Functional Management Account.

2. Data Systems Development and Operations

Data Systems require a more complex method of charging back overhead costs and man-hours because the services are not provided on a uniform population or cost basis.

A uniform method of collecting and charging back Data Processing Operations costs to the mission and Command and Support functions supported does not exist, currently. To provide operating costs which are comparable among PICAs, SICAs and Components, a standard method is required.

The costs to be charged back represent the total cost of Data Processing Operations exclusive of Command and Support costs. All common Data Systems supervisory, management and administrative costs and personnel will be allocated to the two functions: Data Systems Development and Data Processing Operations. In addition to personnel costs, Data Processing Operations includes the cost of all equipment, equipment maintenance, materiel and contractural costs. Equipment includes:

Central Processing Unit (CPU)
Core Storage
Data Preparation Devices
    Card punch
    Card verifier
    Magnetic tape writers
    Paper tape punch
    Mark sense devices
    Optical character readers
Input Devices
    Card reader
    Paper tape reader
    Magnetic ink character readers
I/O Devices
Direct access storage
    Drum, Disc
Displays (CRT)
Keyboard devices
Graphic systems
Output devices
    Printer
    Card punch
    Paper tape punch
    Plotters
    Audio response devices
Remote inquiry terminals

Equipment installed in, operated by, and charged to a functional area may be excluded from the Central Data Processing cost if included in the Functional Management cost. Command and Support, and Military Construction costs are not included.

When equipment is leased, the actual expenditures will be reflected as the cost. For comparability, when the equipment is owned, whether acquired by purchase or transfer, the cost will be imputed and must be the same as if the equipment were leased.

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Data Systems services provided on a nonreimbursable basis will be costed in the same manner as those provided by the Reporting Activity. The cost of all Data Systems services provided by contractors will be included.

Data Processing Operations will be accounted for in at least two cost centers. One center will consist of the CPU and all related peripheral equipment. A second center will consist of off-line devices (e.g., card punches and optical character readers). The purpose of establishing cost centers is to provide the basis for establishing charge back rates. The cost for each center includes:

- Direct Cost
  - Equipment Cost (actual and imputed)
  - Operator Cost (including training)
  - Materiel Cost (paper, cards, tapes)
- Indirect Cost (allocated on the basis of direct costs)
  - Supervision
  - Management
  - Administration
  - Clerical

The sum of the costs for all centers will equal the total operating cost for Data Processing Operations. An hourly rate will be established for each cost center. Cost for each functional area will be based on the number of hours of service provided by each cost center multiplied by the hourly rate for the cost center. The total of all charges will equal the total Data Processing Operations cost for the month. As a minimum, Data Processing Operations will be charged back to the following areas:

- Data Systems Development
- Command and Staff Elements
- Base Operations
- Real Property Maintenance and Utilities
- Each Inventory Control Function (separately)
- Noninventory Control Mission Functions
- Tenants

Each operating computer program will be examined and a determination made as to the functional area supported. When more than one area which must be accounted for separately is supported by the same program, a determination will be made as to the percent of support to each. The Data System organization will maintain a

master list of programs and areas supported for subsequent audit. For CPU cost center(s), program run time will be accumulated. The run times and the master list of programs will be used to determine the number of hours to be charged to each supported area.

3. Command and Support. The Command and Staff, Base Operations, and Real Property Maintenance and Utilities Costs, and man-hours are prorated across all Mission Functions and Tenants supported. Whenever appropriate, a population basis is used. When services are not provided uniformly, other methods such as square feet occupied or meters are used. Activities will maintain records of the method used.

4. Distribution of Overhead. The distribution of costs and personnel equivalents for a Basic Overhead Account to its related subsidiary accounts is shown in Figure VI-2.

DISTRIBUTION OF OVERHEAD COST AND PERSONNEL EQUIVALENTS TO SUBSIDIARY ACCOUNTS
ACCOUNT: 9120 DATA PROCESSING OPERATIONS

		Man-hours		Cost			
Program Element	Cost Account	Civ Pers	Mil Pers	Civ Pers	Mil Pers	Nonpersonnel Equip	Other
728980	9120	17,600	1,510	$100,000	$10,000	$25,000	$5,000
						Nonpers	
728980	9120-7111.1	4,010	101	10,001	1,050	6,000	
728980	9120-7121.1	1,100	19	2,399	1,950	4,000	
728980	9120-7122.1	3,200	640	16,000	620	2,570	
728980	9120-7140.1	3,245	39	207	140	280	
728980	9120-7210	1,500	21	1,133	240	678	
728980	9120-7220	500	120	10,260	2,040	4,234	
728980	9120-8100	2,400	56	15,000	960	2,238	
728980	9120-9110	175	84	10,400	300	4,466	
728980	9120-9510	1,150	346	14,600	700	1,534	
728980	9120-9520	120	24	16,000	1,500	2,789	
728980	9120-9900	200	60	4,000	500	1,211	
(Total)		(17,600)	(1,510)	($100,000)	($10,000)	($30,000)	

NOTE: The listed subsidiary accounts represent all of the functions for which Data Processing Operations were performed in this example.

Figure VI-2

D. REPORTING ACTIVITIES

Chapter III and Appendix C identify approximately 285 activities which perform one or more inventory control functions. These activities include 51 Primary Inventory Control Activities (PICAs) and Secondary Inventory Control Activities (SICAs), and over 230 Inventory Control Agents (ICAs). Accumulation of total workload and cost data for the performance of inventory control functions would require reporting of such data from the complete range of activities.

Prior to prescribing a management information reporting system, the possibility of reducing this broad range of reporting activities was considered. Activities were considered for exclusion from the management information system based on a series of factors:

-- Type of Activity. For example, exclude the SICAs or the ICAs.

-- Location of the Activity. For example, exclude the over 100 ICAs located overseas.

-- Organizational or Command Relationship. For example, include only activities under the management control of the Army Development and Readiness Command, the Navy Supply Systems Command, the Air Force Logistics Command, and the Defense Logistics Agency; exclude other activities, not under these Commands, from reporting inventory control functional data.

-- Range of Responsibilities, Volume of Workload, and/or Magnitude of Operating Cost. For example, exclude small inventory control activities such as the twenty-three PICAs with item management assignments of under 10 thousand items. (This would result in the exclusion of the Defense Fuels Supply Center which has 122 items assigned, but has annual sales approaching a billion dollars.)

Based on observations during field research for this Study and on data accumulated for and displayed in the Compendium of Inventory Control Point Management Information, it was concluded that:

-- Excluding activities based on any of these rationale would be presumptive and would result in (1) a significant, identifiable loss of information; (2) inconsistent data accumulation and incomparable management reports; (3) failure to measure the total wholesale inventory control system and degradation of the usefulness of the cost and workload data in the budget process; and/or (4) data loss of an unknown magnitude and having an unknown overall impact.

-- Initially, all activities performing inventory control functions as defined in Chapter V should be included in the DoD ICP MIS.

-- The 230 ICAs, constituting the vast majority of activities included in the MIS, should have limited reporting requirements.

E. THE REPORTING SYSTEM AND ITS MANAGEMENT

1. System Specifications. An effective DoD MIS for evaluating wholesale inventory control point performance must be capable of:

— Recording, communicating, and compiling data from numerous sources, including ICAs, SICAs, and PICAs performing wholesale inventory control functions, as well as from other systems such as the Defense Integrated Data System (DIDS).

— Testing data input reliability.

— Developing and applying weighting factors to raw data.

— Providing comparable measures of workload, efficiency, and effectiveness.

— Producing management reports by activity (i.e., for activities performing inventory control tasks and for activities having item management assignments), by DoD Component, and for the DoD as a whole.

— Producing management reports in terms of individual functions, groups of functions, and all functions.

— Analyzing extensive data and selecting areas for management review based on varying tolerances.

— Producing timely reports on prescribed cyclical bases, as well as special one time reports including statistical analyses.

— Responding to changing environments and management needs.

2. System Design Options

a. Mechanized versus Manual System. The number of data elements required, the number of activities involved, the range of workload and performance indicators required, and the volume and

variety of reports required indicates that the MIS — from raw data input to report production — must be mechanized. The system specifications outlined in paragraph E 1 above can be attained only with a mechanized system.

b. Centralized versus Decentralized Processing

There are three basic concepts within which data and reports can be channeled and processed. These are:

(1) Decentralized. In this concept each activity records its own data, processes the data, and prepares its own reports. Reports in mechanized or manual form are forwarded to the next echelon in the command chain. At each succeeding level in the chain the data or reports are rearranged to portray a broader picture.

(2) Intermediate. In this concept each activity within a Component would forward raw data through Component channels to a Component central data bank. At the Component central data bank reports are prepared tailored to the requirement of the data submitters, the Component managers, and the OSD managers. Reports flow from the Component data banks to respective data submitters and to the OSD. At the OSD level Component reports would be accumulated into a DoD report.

(3) Centralized. In this concept each activity performing wholesale inventory control tasks inputs data directly into a single, central, DoD data bank. Standard reports tailored to the management requirements of the activities, the Components, and the OSD are prepared at this single location and forwarded to the respective data submitters, Component managers, and the OSD. However, Activities and Components are not limited to the standard reports and may produce unique reports for internal use.

A review of the three concepts against the objectives of this Study and the specifications prescribed for a DoD MIS meeting those objectives indicates that a single, central, DoD data bank and processing point provides for and/or enhances:

- Data receipt from multiple sources.
- Data compatibility and comparability.
- Data currency at the OSD level.
- Data quality control.
- Minimum programming and programming changes.
- Responsiveness to changing management needs.
- Consistent system design.
- Simultaneous system-wide modifications.
- Flexibility of report preparation.
- Comparative data analysis.
- Development of weighting factors and new indices.

Neither of the decentralized concepts can provide this complete set of advantageous system design features. Therefore, a single, central data bank and data processing site is required.

c. A Central Processing Location

Because of the size and diversity of a DoD ICP MIS, the central data bank and processing site must have a current generation computer with extensive capacity and access to AUTODIN terminals. Development, maintenance, and operation of the system is also dependent upon ADP systems design, programming, and operating personnel.

Because a system of this size and diversity will have significant workload fluctuations and is a part of the overall logistics structure, workload balancing and processing economy can be achieved by locating the data bank and processing site at an existing DoD organization having large scale ADP equipment and personnel capability.

Examples of existing organizations which could be augmented and be given the DoD ICP MIS Data Bank and Processing Site Assignment are:

* Air Force Logistics Command, Wright-Patterson Air Force Base, Dayton, Ohio.

* Defense Automatic Addressing System Office, Dayton, Ohio.

* Defense Logistics Services Center, Battle Creek, Michigan.

* Defense Logistics Agency Administrative Support Center, Alexandria, Virginia.

* U.S. Army Logistics Control Agency, Presidio of San Francisco, California.

* U.S. Army Major Item Data Agency, Chambersburg, Pennsylvania.

Each of these organizations currently has large scale ADP capability which could be augmented, has a Component-wide or DoD-wide logistics mission, and is tied into AUTODIN.

In making a site selection three additional factors should be considered: first, the ICP MIS assignment should not compete with major operational missions at the site; second, locating the site in or near the Washington, D.C., area would permit easy access by several major logistics management organizations;

and third, the MIS data bank and processing site should be in geographical proximity of the Systems Management Office (see next paragraph).

3. System Management and Analysis

Implementation, administration, and maintenance of an ICP MIS of this magnitude require extensive management acumen and effort — initially and on a continuing basis. The System and the management tools it produces go hand in hand. Analyses of each is interdependent with the other. For example, analysis of a report may indicate the need for more data, less data or more specific data. Analysis of the data may reveal a need for weighting factors or revisions to provide a more meaningful management report. Such review and analysis tasks must be accomplished by a system manager responsible for maintaining the system, producing meaningful and timely management reports, and analyzing the system and its output products to assure that they meet the needs of logistics and resource managers.

The above tasks only highlight the breadth of activity required in managing the proposed system. An organized structure is required to give the System policy direction and to perform the day to day management functions. OASD(I&L) and OASD(C) should provide policy direction. Management should be performed by an independent System Management Office (SMO) not subject to influence by any Component being measured (see Appendix F). There should be direct communication between OASD and the SMO and between the SMO and the Central Data Bank. Personnel with expertise in administration, systems, and logistics and management analyses are required. Location in the Washington, D.C., area is desirable since that represents the greatest concentration of top logistics managers.

Among the tasks which should be the responsibility of the SMO are to:

- Develop and maintain a systems manual.
- Monitor implementation of the system.
- Develop quality edits and checks.
- Conduct system surveillance as data is received and at data submitting activities.
- Develop and refine weighting factors.
- Develop and coordinate report specifications for OSD, Components, and Activity managers.
- Review and analyze reports and data to determine and improve reliability and utility.
- Initiate and effect system changes.
- Respond to the specific management information queries of the OSD, Component, and Activity managers.
- Analyze management data and present analyses to OSD.

F. MANAGEMENT REPORTS

1. The Ultimate Goal. The ultimate goal of the ICP MIS is to provide reports valuable to management. Chapter II of this Report describes the range of uses for such reports. Chapters II and III describe the range of organizational levels (Activity, Logistics Command, Component, and OSD) which require management information from the system. This paragraph sets forth the concept for the preparation of management reports and provides some sample management reports.

2. Concepts for Report Preparation. To assure that management reports portray comparable data, are responsive to management needs, are current, and are selective, certain features must be built into the system. Among them are:

a. Single Data Base

A single data base located at the Central Data Bank (CDB) will provide information for routine monthly, quarterly, or annual reports; nonroutine reports (e.g., answering one time queries); and special studies. Similarly, the single data base will provide reports for each management level — Activity, Component, and OSD.

The use of a single data base provides comparability by assuring that management reports at all levels are of compatible design and based on a single set of data elements common to all PICAs, SICAs, and ICAs reporting. Further, it facilitates the development and use of a single set of basic ADP programs, while providing greater flexibility for development of new and revisions to existing programs for generating management reports.

b. Responsiveness. Managers will recognize the need to change and delete reports as the system evolves and is used. Such modifications require reprogramming by a single activity, the CDB. Modification to standard report formats can be provided based upon the manager's stated requirements and the range of data accumulated (see Chapters IV and V and Appendices D and E).

c. Tailored Reports

Within the range of data accumulated, the potential for report preparation ranges from display of total data for all activities to limited data display for a single activity. Management reports are to be tailored to the needs of the management level. Generally, the activity level will receive reports portraying data in the greatest depth, while successively higher organizational levels will receive reports broader in scope and displaying less detail.

Another form of tailoring permits the display of relatable data without displaying full detail. For example, a PICA can be provided with data showing its performance in comparison to other PICAs based on Component and DoD-wide averages without receiving detailed data for each PICA. Similarly, Components can view the averages or extremes for other Components.

Management review is facilitated through the development of reports based on parametric screening of data bank information; e.g., printout of selected data for activities having consumable item management costs less than "A" or more than "B" per item managed and consumable item effectiveness rates less than "X" or more than "Y." Such a report quickly pinpoints high and low cost operations and high and low effectiveness while minimizing the data presented to management.

d. Continuing Review

Data and reports require continuous review by a small group of logistics analysts to assure that data are reliable and valid and that reports meet management needs. This group of three to five professional analysts would develop, maintain, review, and analyze data and reports for all management levels. This group would also provide the expertise to evaluate management's needs to translate them into new or revised, recurring or one time, reports.

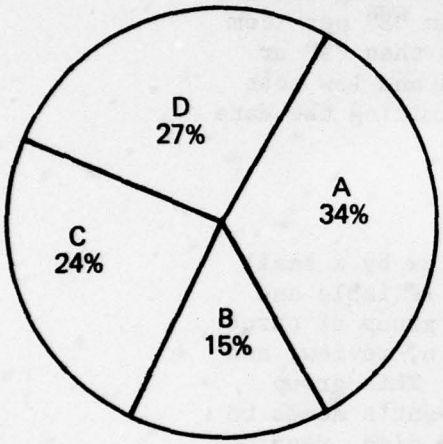
Throughout the report development and maintenance process, the System Manager should seek techniques for highlighting operating effectiveness and ineffectiveness and related economies and ineconomies.

3. Sample Management Reports. The following pages provide samples of the type of management reports anticipated from the DoD MIS prescribed in this Chapter. Each of the examples illustrates one or more of the management report characteristics outlined above. The nine examples are also designed to display information for a specific management purpose, as follows:

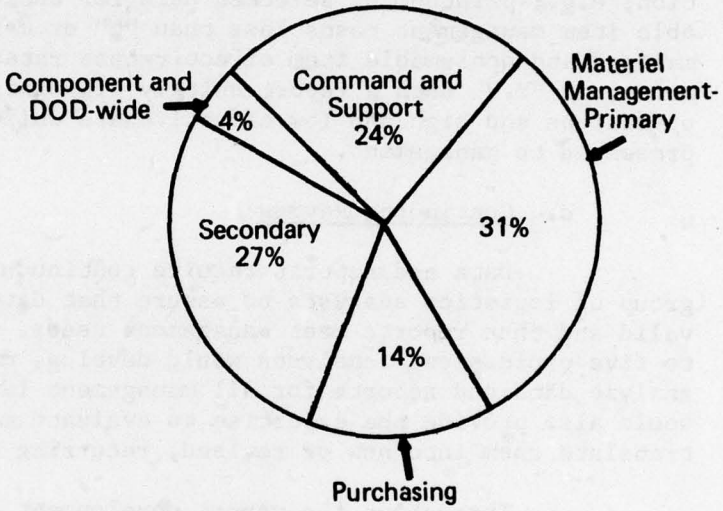
A DoD-wide ICP Total Cost Breakout
B Component ICP Total Cost Breakout by Functional Grouping
C Analytical Report for Programming and Budgeting
D Evaluation of DoD Policy Change for Consumable Items
E Trade-off Decision - Application of Operating Funds
F Performance Evaluation - General Primary Materiel Management
G Performance Evaluation by Procurement Method and Value
H Comparison of Primary Item Management and Holding Cost Versus Effectiveness
I Evaluation of Requisition Processing Policies and Practices

EXAMPLE A
DOD-WIDE ICP TOTAL COST BREAKOUT

BY COMPONENT



BY FUNCTIONAL GROUPING



TOTAL COST - $812,783,000
COST PER ITEM MANAGED - $220

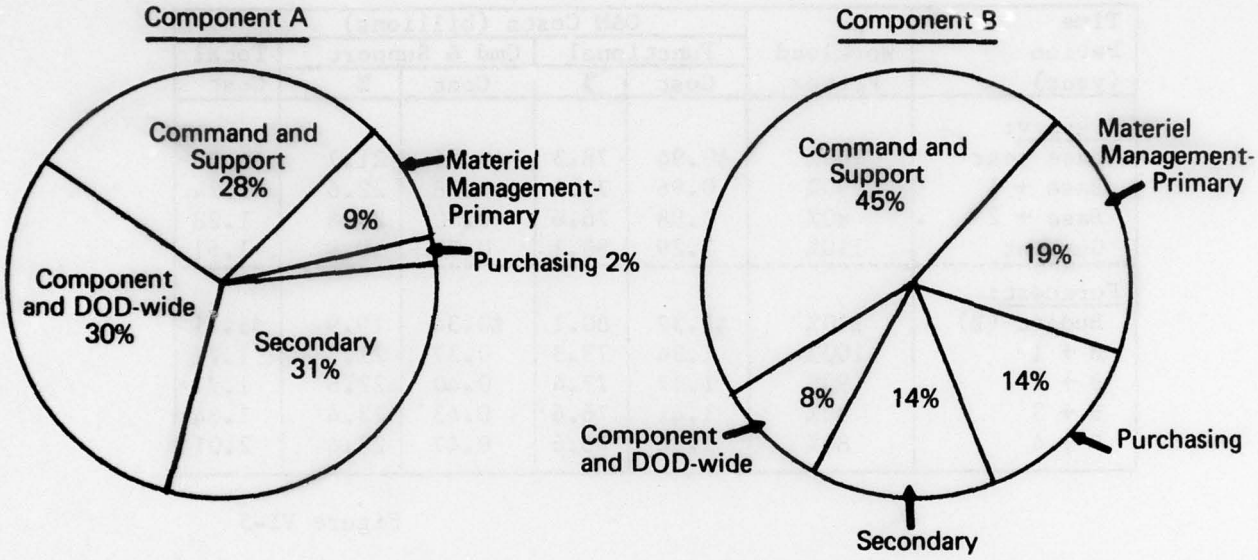
Figure VI-3

Purpose - To provide OSD an overall perspective of the wholesale Inventory Control Point total operating cost (information not currently available); to show how these costs are distributed by Component and by major functional groupings. Charts displaying more detailed functions can be provided as required.

Observations - The example shows the total cost of operating the wholesale Inventory Control Points to be $0.8 billion and the average cost per item managed of $220. One breakout shows the percent of cost incurred by each Component. The second breakout shows the same cost by major functional groupings.

EXAMPLE B

COMPONENT ICP TOTAL COST BREAKOUT BY FUNCTIONAL GROUPING



TOTAL COST - $276,346,220
COST PER ITEM MANAGED - $394

TOTAL COST - $121,917,450
COST PER ITEM MANAGED - $396

Figure VI-4

Purpose - To provide the Components and OSD with an overall perspective of the Component wholesale Inventory Control Point total operating costs and how these costs are distributed by major functional groupings. Permits comparison of Components. Charts showing more detailed functions and charts for individual ICPs can be provided as required.

Observations - Component A incurs over twice as much of the total operating cost as Component B, but the cost per item assigned is almot identical. Component B spends 45¢ of each dollar for Command and Support. Very significant variances exist between the two Components in the distribution of costs among major functional groupings.

EXAMPLE C

ANALYTICAL REPORT FOR PROGRAMMING AND BUDGETING
(SUMMARY COST ACCOUNT 7000 - INVENTORY CONTROL)

Time Period (year)	Workload Factor	O&M Costs (billions)				
		Functional		Cmd & Support		Total
		Cost	%	Cost	%	Cost
History:						
Base year	100%	$0.94	78.3	$0.26	21.7	$1.20
Base + 1	90%	0.96	77.4	0.28	22.6	1.24
Base + 2	80%	0.98	76.6	0.30	23.4	1.28
Current	110%	1.29	80.1	0.32	19.9	1.61
Forecast:						
Budget (B)	110%	$1.37	80.1	$0.34	19.9	$1.71
B + 1	100%	1.34	78.3	0.37	21.7	1.71
B + 2	90%	1.37	77.4	0.40	22.6	1.77
B + 3	80%	1.41	76.6	0.43	23.4	1.84
B + 4	80%	1.54	76.6	0.47	23.4	2.01

Figure VI-5

Purpose - To provide OSD with historical and projected workload and cost data to assist in Planning, Programming and Budgeting related analyses. The report should be designed to:

** Provide budget forecasts.

** Show the impact of inflation on O&M costs.

** Reflect the impact of workload changes on cost.

** Provide a basis for detecting potential problems, generating further analyses, and initiating policy changes or other management action.

Similar reports could be produced for portions of a program on a DoD-wide basis, or for the Component level. An inflation rate of approximately 8.0% is used in the example.

Observations - Based on the data portrayed in Figure VI-5, it could be concluded that:

** Functional costs are significantly impacted by, but not directly proportional to, workload changes.

** Command and Support costs remain relatively constant while workload changes from 80% to 110% of the base. (In this range of workload changes, only the inflation rate causes overhead cost increases.)

** Reducing Command and Support cost as workload decreases would have significant, positive resource implications. For example, maintaining a relatively constant Command and Support cost of approximately 20% would produce resource savings or diversion of $30 million to $90 million per year in years B+1 through B+4.

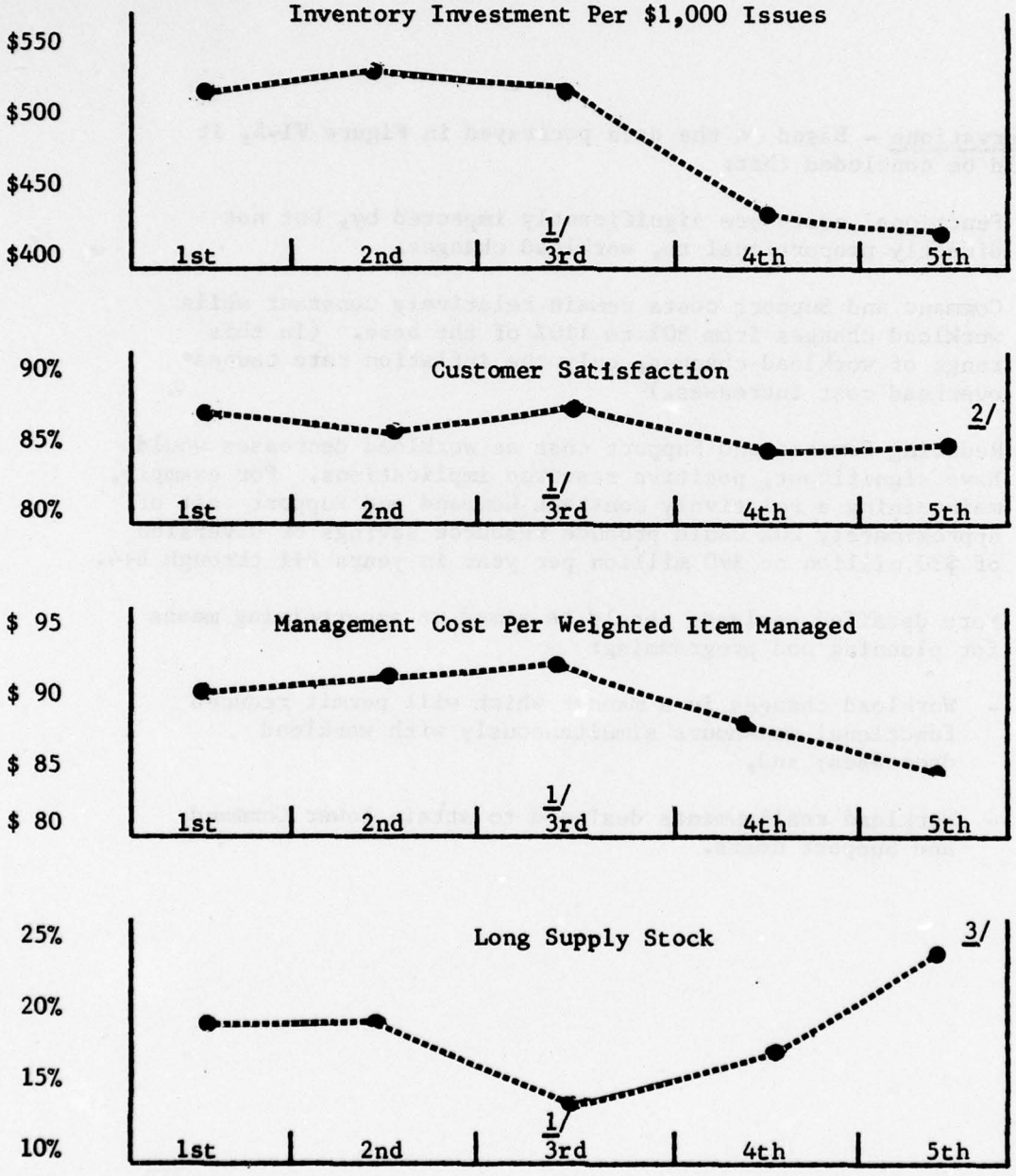
** More detailed analyses should be aimed at ascertaining means for planning and programming:

- Workload changes in a manner which will permit reduced functional man-hours simultaneously with workload decreases; and,

- Workload realignments designed to attain lower Command and Support costs.

EXAMPLE D

EVALUATION OF DOD POLICY CHANGE FOR CONSUMABLE ITEMS



1/ Policy change was effected during the 3rd period.

2/ Significantly impacted by Component D. Component D has lowest demand satisfaction rate.

3/ Significantly impacted by Component A; Component A has highest percent of long supply stock; all Components show some increase.

Figure VI-6

Purpose - To evaluate a policy change by providing OSD with a special report containing pertinent before and after data. Similar tailored reports could be produced at the Component or PICA level if more detailed analysis is required.

In this example wholesale stockages policy has been modified with two objectives:

** Primary: to decrease inventory investment without adversely affecting customer satisfaction.

** Secondary: to maintain the same level or decreased item management cost while attaining the primary objective.

Observations - Based on summary data for five consecutive time periods, the two efficiency and two effectiveness indicators show that the policy change:

** Is having the desired effect on inventory investment and operating cost.

** Is not having a significant effect on customer satisfaction. It also indicates that the slight decrease (1 to 2%) in customer satisfaction may be isolated to one Component (See Footnote 2/), indicating a need for further analysis and tailored reports.

** May be having an unexpected influence on the amount of long supply stocks, again indicating a possible need for further analysis and tailored reports, especially in Component A (See Footnote 3/).

EXAMPLE E

TRADE-OFF DECISION
APPLICATION OF OPERATING FUNDS

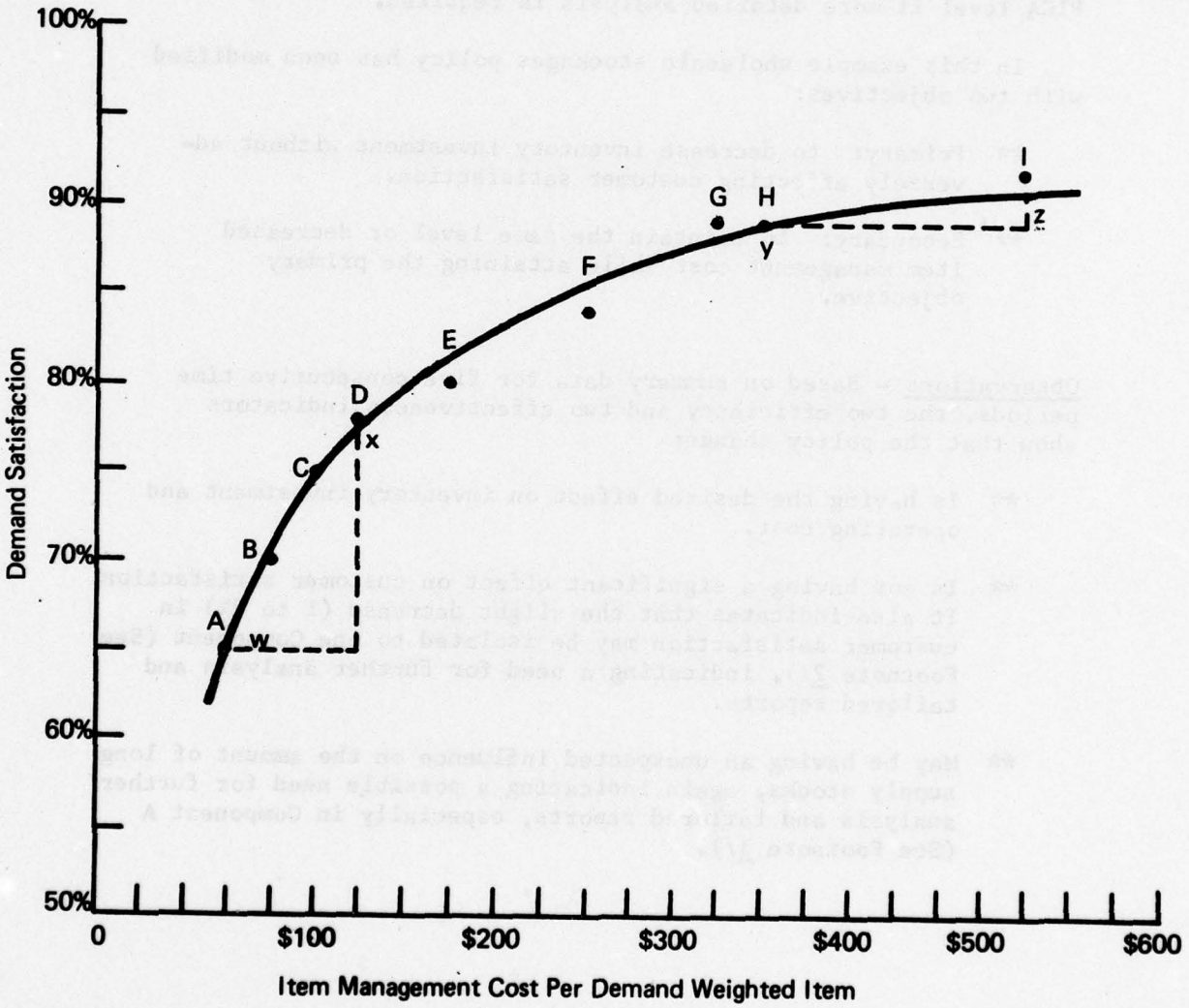


Figure VI-7

Purpose - To permit OSD and Component analysis and evaluation of potential relationships between operating cost and effectiveness and to facilitate decisions regarding resource application. Displays relationship between operating cost, "Item Management Cost per Demand Weighted Item," and effectiveness, "Percent of Demand Satisfaction" for nine PICAs, each managing a range of consumable and reparable items.

Observations - Based on the data portrayed in Figure VI-7, it could be concluded that:

** There is a direct relationship between item management cost and effectiveness.

** Application of increased operating funds to PICAs "A," "B," and "C" should have the greatest positive results in terms of increased effectiveness. For example, the fitted curve indicates that raising demand satisfaction 13% (from 65% to 78%, point w to point x) would require an increased management cost of $75 per Demand Weighted Item, while raising Demand Satisfaction 2% (from 89% to 91%, point y to point z) would require an increased management cost of $150 per item.

** If O&M funding levels remain the same, diversion of operating funds from PICA "I" and, possibly, from PICAs "G" and "H" to PICAs "A," "B," and "C" should result in a net increase in effectiveness. Applying the same assumption used above, the fitted curve indicates that decreasing costs at point z, PICA I, by $150 Per Demand Weighted Item should decrease Demand Satisfaction by only 2%, while providing those funds to PICAs at point w should increase Demand Satisfaction by about 13%.

** A decrease in operating funds should not be applied on a uniform percentage basis.

EXAMPLE F

PERFORMANCE EVALUATION - GENERAL PRIMARY MATERIEL MANAGEMENT

(Limits of Acceptability - $20 to $50)

REPORT FOR OSD:

Component	Cost per Demand Weighted Item	Number of PICAs	Number Outside Limits
A	$28	5	1 1/
B	36	5	0
C	58	4	2
All	$38	14	3

1/ Cost per Demand Weighted Item of $111 is highest in DoD.

REPORT FOR COMPONENT C:

PICA	Cost per Demand Weighted Item	DoD Average
#1	$25	
#2	30	
#3	61 2/	
#4	108 2/	
All	$58	$38

2/ Cost per Demand Weighted Item exceeds "Limits of Acceptability".

REPORT FOR PICA #4 OF COMPONENT C:

Function	Cost per Demand Weighted Item	Component Average	DoD Average
7111.1	$ 61 3/	$20	$17
7121.1	27 3/	17	7
7130.1	14	16	9
7140.1	6	5	5
All	$108	$58	$38

3/ Functions requiring special management attention.

Figure VI-8

Purpose - To provide for the OSD, Component, and PICA management levels a set of compatible reports which provide less detail at the higher levels, are produced when the "limits of Acceptability" are exceeded, and identify potential problem areas. Similar reports could be produced for individual functions and a wide variety of efficiency and effectiveness indicators.

Observations -

OSD Report

** The Component A average is the lowest and does not exceed the limits of acceptability; however, one PICA exceeds the limit and is the highest of all PICAs.

** The Component C average exceeds the limits of acceptability; two PICAs contribute to this.

Component C Report

** PICAs #3 and #4 exceed the limits of acceptability; PICA #4 is extremely high.

PICA #4 Report

** Function 7111.1, Item Management of Consumables, and 7121.1, Requisition Processing of Consumables are the major contributors to PICA #4 high operating cost.

EXAMPLE G

PERFORMANCE EVALUATION BY PROCUREMENT METHOD AND VALUE

CONTRACT AWARD CATEGORY	PURCHASING MEASURE/INDICATOR				
	WEIGHTED CONTRACTS AWARDED	PURCHASING COST PER $ OF VALUE OF CONTRACT AWARDS	PALT MEAN DAYS FOR AWARDS	PERCENT AWARDS EXCEEDING STD.	
				STD IN DAYS	%
≤ $500	350,363	.0080	38	30	56
> $500 ≤ $10,000	6,865,391	.0177	55	60	18
ADV > $10,000 ≤ $100,000	131,485	.0020	97	90	62
NEG > $10,000 ≤ $100,000	1,017,351	.0009	88	90	34
ADV > $100,000	551,489	.0020	145	120	75
NEG > $100,000	1,511,385	.0034	112	120	42
TOTAL	10,447,454	.0012	67	74	46

Figure VI-9

Purpose - To display workload, efficiency and effectiveness and to permit analysis and evaluation of relationships among them within the various dollar ranges of materiel purchased. Comparison of Contract Award categories shows where most of the workload is and how the workload ranks by unit cost and processing time. Results of this analysis will indicate where more detailed analyses are required to determine if resources are being misdirected and if procedures should be revised in certain purchasing areas to increase efficiency.

Reports identical or similar to the example can be developed for each Component and Activity with an added feature of being able to compare organizations as well as contract award categories. This additional comparison can point to areas with exceptional performance or problems to be investigated in more detail.

Observations

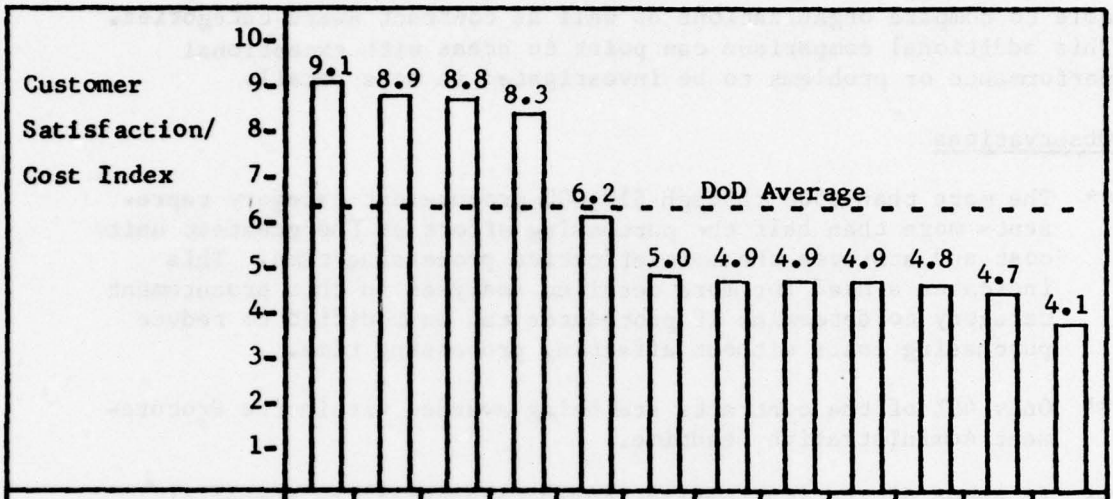
** The more than $500 through $10,000 procurement category represents more than half the purchasing effort at the greatest unit cost and achieves the most effective processing time. This indicates a need for more detailed analyses in this procurement category to determine if procedures can be modified to reduce purchasing costs without affecting processing time.

** Only 46% of the contracts are being awarded within the Procurement Administrative Leadtime.

** In three of the six Contract Award Categories the Number of Awards exceeding PALT standards is very high.

EXAMPLE H

COMPARISON OF PRIMARY ITEM MANAGEMENT AND HOLDING COST VERSUS EFFECTIVENESS



Customer Satisfaction (DoD Avg 85.5%)	82%	98%	88%	91%	93%	95%	88%	78%	68%	76%	84%	82%
Cost per Weighted Dollar of Demands (DoD Avg $.145)	9¢	11¢	10¢	11¢	15¢	19¢	18¢	16¢	14¢	16¢	18¢	20¢
PICA	A	B	C	D	E	F	G	H	I	J	K	L

Figure VI-10

Purpose - To provide the PICA, Component and OSD levels with information relating effectiveness and efficiency. Three indicators are shown. The Customer Satisfaction/Cost Index is displayed as a single indicator and quantifies the relationship between Customer Satisfaction (effectiveness) and cost (efficiency). The Percent of Customer Satisfaction and the cost per dollar of demand are shown on the same chart with the Customer Satisfaction/ Cost Index to help explain an activity's or Component's index value. For example, a low valued Customer Satisfaction/Cost Index accompanied by a high Percent of Customer Satisfaction calls attention to costs and additional efficiency indicators, e.g., Cost Per Item Managed.

Observations - The example should prompt the following questions:

1. How does PICA B maintain a 98% Customer Satisfaction at a cost of 11 cents per demand dollar when it is costing PICA F 19 cents per demand dollar to provide a 95% Customer Satisfaction? Can PICA B methods be identified and used by the other PICAs?

2. Why do PICAs H, I, and J have low Customer Satisfaction?

3. Is the 95% Customer Satisfaction at ICP F worth 19 cents per dollar of demand? If the cost per dollar of demand were reduced to the DoD average, could PICA F still exceed 90% Customer Satisfaction?

4. Why do PICAs, F, G, K, and L have such high functional costs compared to the other PICAs?

EXAMPLE I

EVALUATION OF REQUISITION PROCESSING POLICIES AND PRACTICES

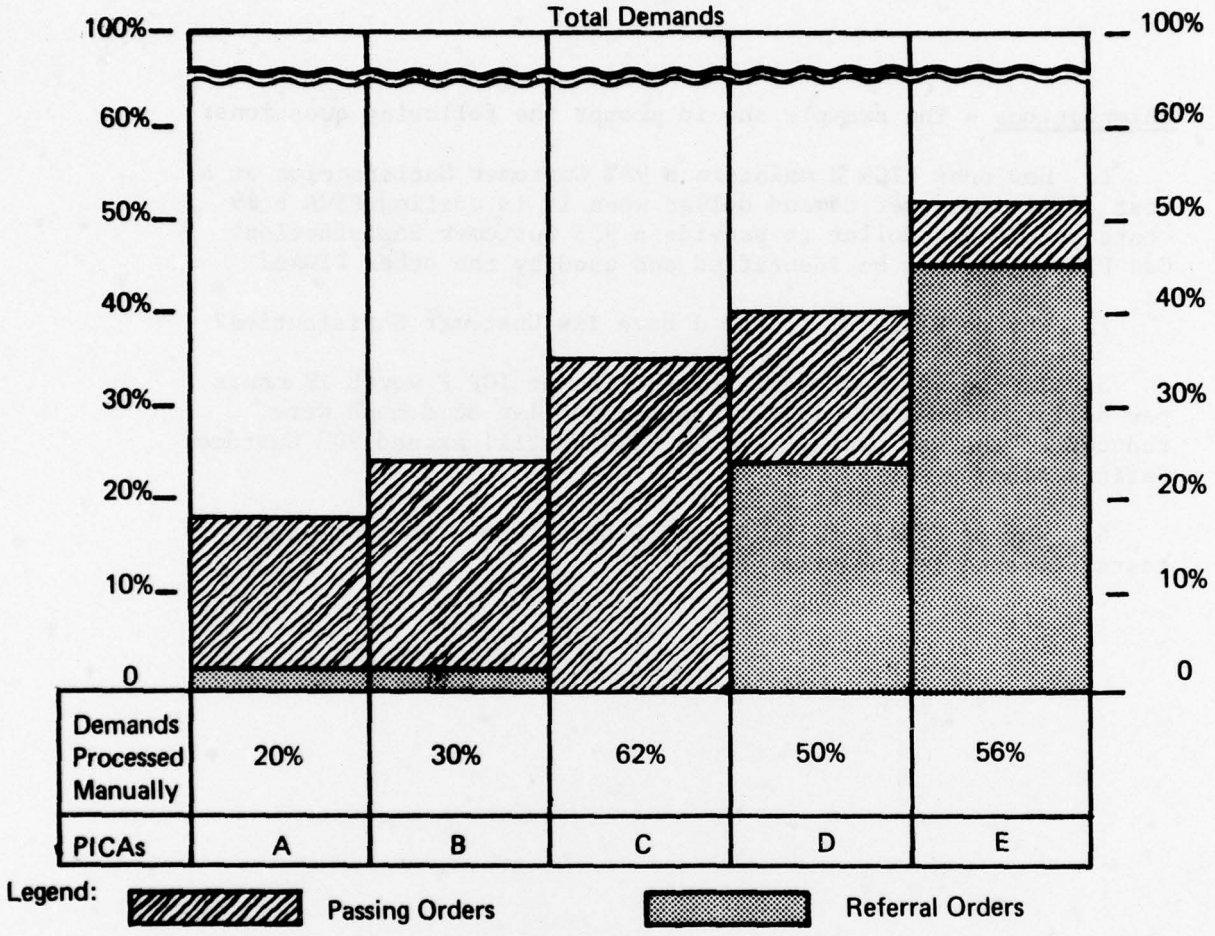


Figure VI-11

Purpose - To provide PICAs, Components and OSD with information for evaluating the requisitioning system, both retail and wholesale. Reports could be provided by Component or Type of Item.

Observations -

** Three PICAs process 50% or more of their demands manually, indicating a need to check for higher unit cost and/or less responsiveness.

** Two PICAs refer approximately 23% and 45% of their demands among processing points, indicating a need to check for higher unit cost and less responsiveness.

** At one PICA 35% of the demands were delayed by passing through retail distribution systems or by misrouting at the wholesale level.

G. SUMMARY

This Chapter describes the basic characteristics for a proposed DoD-wide ICP Management Information System, including a cost account structure; specifications for data recording and reporting, system maintenance and audit, and management report preparation; and several illustrative management reports.

The proposed cost account structure is designed to provide for:

- ** Uniform collection of resource data for the performance of inventory control and associated support functions by each activity performing such functions.
- ** Divisions into additional functions as future management requirements dictate.
- ** Distribution of overhead.
- ** Summation of individual functions into broader management categories.
- ** Expansion to include functions not within the scope of the Study.
- ** Subdivision of standard accounts to meet unique Activity or Component management requirements.
- ** Reconciliation of expenditures by program element with costs by functional groupings.

To assure the provision of "uniform coverage of functions regardless of organizational placement" (one of the Study objectives), the proposed System includes all activities performing inventory control and support functions. However, to facilitate maximum coverage based on comprehensive data from activities with the most extensive responsibility and to avoid unnecessary reporting by activities with relatively smaller involvement, the System specifies that:

- ** The 51 PICAs and SICAs report the complete range of workload and cost data for inventory control functions, including Command and Support costs.
- ** The 233 ICAs report only data for the wholesale inventory control functions performed and specifically be exempt from reporting Command and Support costs.

To assure the accumulation of comparable data and the development of "comparable measures and indicators" (another of the Study objectives) and to avoid the pitfalls of past and present systems, the proposed system specifications provide for the integration of data from multiple sources into a single, compatible System. Key features of this DoD-wide ICP Management Information System include:

** Total or nearly total mechanization.

** Institution of a single central data bank.

** Establishment of a System Management Office, responsible for development and publication of an operating manual; system implementation and maintenance; system surveillance, review, and analyses; and development and analysis of management reports.

A major goal of any management information system is the production of reports having value to management, the proposed System specifications have been developed toward this goal. The accumulation of comparable data into a central data bank in accordance with the functional approach (as prescribed in Chapter IV) and cost account structures and workload reporting system described in this Chapter will facilitate the development, production, and maintenance of sets of meaningful management reports which can:

** Support the PPB System, policy evaluation, performance evaluation (workload, efficiency, and effectiveness), and trade-off analyses and decisions at OSD, Component, and Activity levels.

** Tailored progressively into more finite detail as they are produced for each successively lower organizational echelon.

CHAPTER VII

SUMMARY AND RECOMMENDATIONS

A. STUDY REQUIREMENTS

The basic requirement placed upon the Study Team was "to develop selected performance indicators, which are comparable measures of wholesale ICP characteristics, costs, and performance, to be used by top management in furtherance of increased efficiency, economy of operations, and improved support effectiveness." An elaboration of this basic requirement states that the performance indicators should:

a. Relate workload, operational costs, materiel investment costs, productivity, and performance effectiveness;

b. Provide measures of significant individual functions as well as total operations;

c. Provide uniform coverage of functions regardless of organizational placement; and

d. Include all functions performed in conjunction with materiel acquisition and control, including the command, administrative, and support functions.

In prescribing an approach to the Study, additional requirements were identified. These were to:

a. Avoid the creation of additional data requirements by improving or expanding the use of existing valid data; or, if existing data are not adaptable, replace them with new data meeting management requirements, and

b. Develop requirements for the ICP, Component, and OSD levels on a pyramidal basis with greatest selectivity and summarization at the OSD level.

B. SUMMARY

To attain the prescribed objectives, it was necessary to:

— Ascertain "Performance Reporting Needs and Objectives" of DoD logistics and resource managers - Chapter II.

— Delineate organization arrangements within "The Wholesale Materiel Management Community" - Chapter III.

— Perform a detailed review, including "Analysis and Definition of Functions" - Chapter IV.

— Continue the review and analysis with the objective of developing "Workload Measures and Performance Indicators" - Chapter V.

— Recommend "The Management Information System" which could provide comparable data, measures, and indicators - Chapter VI.

The following paragraphs summarize these actions and their results.

The review and appraisal of performance reporting needs and objectives indicate that:--Defense logistics and resource managers do need a management information system which will facilitate programming and budgeting, policy evaluation, performance evaluation, and making trade-off decisions.--Systems such as the recently cancelled Logistics Performance Measurement and Evaluation System (LPMES), the current cost accounting system, and the Military Supply and Transportation Evaluation Procedures (MILSTEP) have not provided adequate and comparable data for management evaluation.--These and related systems do prescribe a wide range of data recording and reporting requirements which can be modified to facilitate comparability.--A modified, expanded, or new management information system is required if DoD logistic managers are to be provided the tools necessary to fulfill their responsibilities.

A review and analyses of the wholesale materiel management community within the DoD shows that:--284 activities are involved, to some extent, in the performance of ICP functions.--Ninety-nine percent of the NSNs are assigned to 19 activities; while one percent of the NSNs are assigned to 23 activities.--233 of the 284 activities provide functional support to the 42 activities assigned NSNs for management.--Nearly all activities performing ICP functions have other missions.--Activities are organized in many different ways to perform ICP functions.--The number of ICP functions performed varies significantly among activities.--The range and type of items assigned varies significantly among ICP activities.--Cost and performance for ICP activities cannot be made strictly on an activity to activity basis.--The development of comparable workload measures and performance indicators for "significant individual functions as well as total operations" requires the accumulation of data by function from a combination of approximately 284 activities.

The analysis of current inventory control and support functions and tasks resulted in the following actions, each oriented toward one or more of the Study objectives:

-- Two distinct and noncomparable roles related to an Item Management Assignment for a group of items have been identified and separated; these are "Primary Management" responsibilities and "Secondary Management" responsibilities.

-- Two groups of Primary Inventory Control functions have been identified and separated; these are "General Functions" and "Limited Functions."

-- Functions not related to a specific Management Assignment have been identified and separated; these are "Component-wide functions" and "DoD-wide functions."

-- Provision has been made to include Data Systems (development and operations) tasks and Command and Support tasks.

-- Several Materiel Management areas have been broken into multiple functions based on the Type of Item (i.e., Consumable, Reparable, or End Item).

-- A separate function for the tasks unique to International Logistics has been established.

The redefinition and realignment of functional tasks was accomplished for each of the following functional subgroups:

Item Management--Primary
Requisition Processing--Primary
Other Stock Control--Primary
Technical Support--Primary
Cataloging--Primary
Purchasing--Pre-award--Primary
Purchasing--Post-award--Primary
Weapon System Support Oversight--Primary
Item Management--Secondary
Stock Control--Secondary
Technical Support--Secondary
Cataloging--Secondary
Stock Control--DoD-wide
Cataloging--Component-wide
Cataloging--DoD-wide
International Logistics--DoD-wide
Special Assignment--DoD-wide
Functional Management
Data Systems Development and Operations
Command and Support

Three functions have been excluded from the redefinition and realignment process. Program/Project Management is excluded because analysis indicates it is outside of the scope of Inventory Control. Industrial

Preparedness and Contract Administration Services activities are excluded, because these two functions were not fully researched.

The Analyses aimed at the development of comparable workload measures and performance indicators led to the following actions, each oriented toward one or more of the Study objectives:

-- Thirty-six types of workload measures and 96 types of performance indicators have been developed for 32 Inventory Control and Support functions; formulas and specifications for these are provided.

-- The report provides: (a) indicators based on operational cost and materiel cost, and highlighting overinvestment; (b) indicators of productivity in terms of dollars and personnel equivalents; (c) a cost/effectiveness index; and (d) the basis for productivity indices.

-- For some functions, more than one measure and indicator is provided to permit future evaluation on the basis of actual data and selection of the better indicator.

-- Over 1,300 items of data are identified as requirements for the development of the measures and indicators. Approximately 75% of the data items are required under existing DoD directives and many of the remaining 25% are available in one or more Component management information systems.

The analysis also points out the following characteristics of proposed performance indicators, and limitations and cautions regarding their application:

-- Indicators have limitations on their usefulness for making comparisons. Most can be used at the PICA level. Others are limited to the Component or only the DoD level.

-- The indicators are not intended as measures of PICAs as organizational entities, but to evaluate the total performance for a Management Assignment, e.g., the PICA, its ICAs, policies, systems, and procedures.

-- SICA functional performance is evaluated only at the Component and DoD levels.

-- The full range of indicators which can be developed from the data base is not shown. For example, only one output per personnel equivalent in the multi-function area is developed; however, one could be developed for each unit cost indicator.

-- It is not intended that all indicators be presented to management. A selective process identifies those measures with sufficient significance for presentation to management at a particular organizational level and point in time.

-- Weighting is a key to comparability for some measures and indicators. The proposed weights are tentative, subject to validation and change, as uniform data is collected and analyzed.

The proposal for a DoD-wide management information system includes the description of a cost account structure and the specifications for the remainder of the System, each designed to attain one or more of the Study objectives. The proposed cost account structure provides for:

-- Uniform collection of resource data for the performance of inventory control and associated support functions by each activity performing such functions.

-- Divisions into additional functions as future management requirements dictate.

-- Distribution of overhead.

-- Summation of individual functions into broader management categories.

-- Expansion to include functions not within the scope of the Study.

-- Subdivision of standard accounts to meet unique Activity or Component management requirements.

-- Reconciliation of expenditures by program element with costs by functional groupings.

To facilitate maximum coverage based on comprehensive data from activities with the most extensive responsibility and to avoid unnecessary reporting by activities with relatively smaller involvement, the System specifies that:

-- The 51 PICAs and SICAs report the complete range of workload and cost data for inventory control functions, including Command and Support costs.

-- The 233 ICAs report only data for the wholesale inventory control functions performed and specifically be exempt from reporting Command and Support costs.

To avoid the pitfalls of past and present systems, the proposed system specifications provide for:

-- Total or nearly total mechanization.

-- Institution of a single central data bank.

-- Establishment of a System Management Office, responsible for development and publication of an operating manual; system implementation and maintenance; system surveillance, review, and analyses; and development and analysis of management reports.

-- The production of management reports which can (1) pinpoint low and high cost, low and high effectiveness, and potential causes of high cost or low effectiveness; (2) provide standards and limits of acceptability; and (3) be produced on a very selective basis whereby only significant data is presented to each level (OSD, Component, and Activity) of management.

C. CONCLUSIONS

In pursuit of the objectives of this Study the following major conclusions evolved:

1. The Attainment of Comparability for performance evaluation of ICPs is difficult because of the extensive number of activities involved, their varying organizational arrangements and their diverse missions. The attainment of an acceptable degree of comparability requires the redefinition of functions, the classification of activities as Primary Inventory Control Activities (PICAs), Secondary Inventory Control Activities (SICAs), and Inventory Control Agents (ICAs); the classification of functions as Primary or Secondary, Component-wide or DoD-wide, General or Limited, Mission or Support; the weighting of certain workload measures; and continual audit and surveillance to assure uniform interpretation and implementation of the System.

2. The collection of meaningful and comparable data to implement the proposed system is dependent upon the implementation of the prerequisite correlative system changes identified

in Chapter V and Appendices D and F. Implementation of these changes will result in immediate improvements to existing management information.

3. OSD should establish a single Management Information System (MIS) for DoD wholesale inventory control functions to embrace initially the current MILSTEP and Procurement Management Reporting System as well as the requirements of this Study. The coverage should subsequently be expanded to include Contract Administration Services activities, storage and distribution operations, and depot maintenance operations.

4. To avoid the inconsistency, duplication, untimeliness, and obsolescence which have characterized other systems for measuring and evaluating logistics performance, it will be necessary to establish: (a) a System Management Office which will be responsible for system implementation and operation, including system surveillance, data analysis, and monitorship of management report preparation, and (b) a Central Data Bank with the inherent capability of accumulating uniform data from a variety of sources and producing timely, uniform reports for a variety of managers.

5. The current Program Element structure with its nonuniform Elements, division of functions between elements, and multiple elements for the same function makes reconciliation with an ICP MIS based on uniform definition of specific functions difficult and degrades the usefulness of the cost and workload data in the Planning, Programming, and Budgeting System (PPBS). Realignment and standardization of the Program Elements are necessary to enhance the value of the cost and workload data and to improve the PPBS.

6. Proposals in this Report--

   ** <u>Do not provide</u> for the comparison of inventory control points on a total activity basis.

   ** <u>Do provide</u> for the comparison of

      - Primary Inventory Control Activities and functions, individually and collectively, exclusive of the "Weapon System Support Oversight" function.

      - Secondary Management functions and Component-wide functions at the Component level.

D. RECOMMENDATIONS. It is recommended that--

THE SECRETARY OF DEFENSE:

1. DIRECT THE ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS), THE ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER), THE SECRETARIES OF THE MILITARY DEPARTMENTS, AND THE DIRECTORS OF DEFENSE AGENCIES TO IMPLEMENT THE INVENTORY CONTROL POINT MANAGEMENT INFORMATION SYSTEM AS DESCRIBED IN CHAPTERS IV THROUGH VI AND APPENDICES D THROUGH F OF THIS REPORT.

2. ASSIGN RESPONSIBILITY FOR IMPLEMENTATION AND MAINTENANCE OF THE INVENTORY CONTROL POINT MANAGEMENT INFORMATION SYSTEM THROUGH THE ISSUANCE OF A NEW DEPARTMENT OF DEFENSE DIRECTIVE 5010.XX, LOGISTICS PERFORMANCE MEASUREMENT AND EVALUATION SYSTEM (LPMES), APPENDIX G OF THIS REPORT.

THE ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):

3. ESTABLISH A SYSTEM MANAGEMENT OFFICE AS DESCRIBED IN PARAGRAPH E, CHAPTER VI; PARTS 1 AND 2, APPENDIX F; AND PARAGRAPH III D, APPENDIX G OF THIS REPORT.

4. DIRECT THE SYSTEM ADMINISTRATORS FOR THE MILITARY SUPPLY AND TRANSPORTATION EVALUATION PROCEDURES (MILSTEP), THE UNIFORM MATERIEL MOVEMENT AND ISSUE PRIORITY SYSTEM (UMMIPS), THE MILITARY STANDARD REQUISITIONING AND ISSUE PROCEDURES (MILSTRIP), AND THE FEDERAL CATALOG SYSTEM TO INITIATE ACTION TO EFFECT THE CHANGES TO THEIR RESPECTIVE DATA RECORDING AND REPORTING SYSTEMS AS PROPOSED IN PART 3, APPENDIX F OF THIS REPORT.

5. INSTITUTE ACTION TO EFFECT THE CHANGES TO DOD INSTRUCTIONS 4140.18, "INVENTORY MANAGEMENT REPORTS OF MATERIEL ASSETS" AND 4140.33, "GROUPING OF SECONDARY ITEMS FOR SUPPLY MANAGEMENT PURPOSES," AS PROPOSED IN PART 3, APPENDIX F OF THIS REPORT.

THE ASSISTANT SECRETARIES OF DEFENSE (COMPTROLLER) AND (INSTALLATIONS AND LOGISTICS), JOINTLY:

6. INSTITUTE ACTION TO REDEFINE AND REALIGN THE PROGRAM ELEMENT STRUCTURE FOR PROGRAM 7 TO INCLUDE ALL OF THE INVENTORY CONTROL AND SUPPORT FUNCTIONS DEFINED IN THIS REPORT AND FACILITATE THE RECONCILIATION OF WORKLOAD AND RESOURCE DATA BETWEEN A LOGISTICS PERFORMANCE MEASUREMENT AND EVALUATION SYSTEM AND THE PLANNING, PROGRAMMING, AND BUDGETING SYSTEM.