



DEFENSE SUPPLY AGENCY  
HEADQUARTERS  
CAMERON STATION  
ALEXANDRIA, VIRGINIA 22314


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DSAH-E

23 May 68

DSA Annex to the Annual Report of the Secretary of Defense,  
Fiscal Year 1967

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JOHN F. HARRY  
Commander USN  
Assistant Executive

ANNEX B

ANNUAL REPORT OF THE  
DEFENSE SUPPLY AGENCY  
Fiscal Year 1967

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# DEFENSE SUPPLY AGENCY

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DSAH-IX

10 MAY 1968

## MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: DSA Annex to Annual Report of the Secretary of Defense,  
Fiscal Year 1967

Submitted herewith is the Annual Report of the Defense Supply Agency for Fiscal Year 1967 for inclusion in the Department of Defense Annual Report.

1 Encl  
DSA Annex, FY 1967

(Signed)  
W. W. VAUGHAN  
Major General, USA  
Deputy Director

## ANNEX B

### ANNUAL REPORT OF THE DEFENSE SUPPLY AGENCY

July 1, 1966 - June 30, 1967

This is the sixth annual report of the Defense Supply Agency (DSA). In fiscal year 1967 the Agency made a successful adjustment to the accelerated rate of demands for support of Southeast Asia (SEA) operations, ending the year with a noticeably improved supply posture. To a considerable extent, this improvement represented delayed benefits from DSA's own efforts in fiscal year 1966. In that year DSA attempted to increase its procurements by 140 percent in competition with a booming civilian economy. Through a vigorous buying program and some use of "rated orders," the Agency managed to obligate \$4.25 billion in stock funds. Manufacturers actually delivered \$2.91 billion in materiel during the year (see figure 1). This was a DSA record and 67 percent more than delivered in the previous year, but still not enough to meet the sudden rise in military requirements. Gross sales exceeded deliveries in fiscal year 1966 by nearly \$100 million.

To support an increasing overseas operation in a jungle terrain where the combat forces stressed unconventional warfare methods, DSA required either entirely new items or unprecedented quantities of articles in limited supply, including complicated spare parts subassemblies. Most of these were not military items procurable from the armament industry, but neither were they standard commercial designs. Most of the new contractors who accepted DSA contracts had to set up special production lines. As a result

industrial lead time nearly doubled during fiscal year 1966, backorders increased 165 percent, and the Agency began fiscal year 1967 with \$1.86 billion in undelivered materiel on order.

DSA STATISTICAL TRENDS  
(Millions of Dollars)

END OF FISCAL YEAR.....	1964.....	1965.....	1966.....	1967
Stock Fund Obligations	\$1,577.8	\$1,825.8	\$4,245.7	\$4,309.8
Procurement Deliveries	1,590.0	1,739.1	2,902.9	4,822.5
Gross Customer Sales	1,805.2	1,968.0	3,010.2	4,090.7
Net Inventory Change	-180.3	-255.0	+17.3	+902.2

Figure 1

In light of this situation, fiscal 1967 can be characterized as the year in which DSA caught up with its delinquent programs. A more favorable trend was apparent by November 1966. The difficulties in clothing production described in last year's report were largely overcome, despite the fact that Military Service requirements for clothing, as for all other DSA commodities, continued to expand. Sales increased 35 percent during fiscal year 1967 to \$4.09 billion, but procurement deliveries increased 66 percent to \$4.82 billion, and exceeded sales in every DSA supply category. The Agency was therefore able to meet current requirements and at the same time to increase its inventories by over \$900 million. This increase, which was a reversal of earlier DSA management trends, was designed to improve responsiveness to Military Service demands for support of expanding overseas operations. It was recognized that increased depth of

inventories was not a cure for all logistical support difficulties.

However, progressive improvements in DSA's supply effectiveness generally proportionate to the rise in supply levels tended to demonstrate that the Agency's new inventories were wisely selected.

A similar increase in activity was experienced by DSA in its mission of providing centralized contract administration services for assigned DoD procurement contracts. DSA, through its Defense Contract Administration Service (DCAS) organization, was responsible for administering 272,000 prime and secondary contracts valued at \$48.9 billion by the end of June 1967. This represented an increase during the year of 39.5 percent in contracts administered, and 24 percent in funds obligated on prime contracts.

The Director of DSA, Vice Admiral Joseph M. Lyle, SC, USN, retired on 1 July 1967. He was replaced by his Deputy, Lieutenant General Earl C. Hedlund, USAF.

#### CHANGES IN AGENCY MISSION AND ORGANIZATION

On 7 October 1966, DSA responsibilities within the contracts compliance program were transferred to the Assistant Secretary of Defense (Manpower), and eleven DSA Equal Employment Opportunity Field Offices, located throughout the United States, were disestablished. However, on 21 March 1967 the Deputy Secretary of Defense directed that operating functions of the DoD-wide Contracts Compliance Program be assigned to DSA, effective 1 July 1967. The transfer involved 171 DoD civilian personnel.

Effective 21 November 1966, field service offices of the Defense Documentation Center (DDC) located at Boston, Mass., Dayton, Ohio, New York, N.Y., San Francisco, Calif., and Alexandria, Va. were discontinued.

Effective 30 December 1966, the responsibilities of the OSD Directorate for Petroleum Logistics Policy, which had been merged with those of the Commander, Defense Fuel Supply Center were transferred back to the OASD(I&L) and assigned to an Assistant for Petroleum Matters.

On 15 January 1967 DSA assumed responsibility for overseas support of decentralized and noncataloged items related to catalog classes assigned to DSA, for USAF activities in the Pacific area. Through this action, the final increment of the Special Purchases (SPUR) program was absorbed by the DSA supply centers. It involved the transfer of 237 personnel spaces from the Air Force to DSA.

On 19 January 1967 the Secretary of Defense announced that Subsistence Regional Headquarters (SRH) located at Columbia, S. C., and Fort Worth, Tex., were to be discontinued, effective 1 July 1967. This consolidation was expected to save 63 personnel spaces and annual operating expense of \$532,000. By the end of the fiscal year the functions of both activities had been transferred on schedule to SRH New Orleans and Kansas City.

#### Changes in Item Management Responsibility

At the start of fiscal year 1967, the five operating inventory control points of DSA were managing 245 Federal Supply Classes (FSCs) for all the Military Services, and 45 classes for the Army only, encompassing a total of 1,335,800 centrally procured items.

During fiscal year 1967, various adjustments resulted in a net loss to DSA of four classes. The most significant change was the transfer of three classes of automotive tires and tubes to the Army's Tank Automotive Command.

Early in fiscal year 1966, the Office of the Secretary of Defense directed the Military Services to begin applying the item management coding criteria embodied in DoD Manual 4140.26-M. These criteria were to be applied retroactively to 825,000 items in DSA classes which had previously been managed by the Services, and also to 150,000 items in the 45 classes mentioned above. Coding began immediately and is expected to continue through December 1967. A total of 481,204 coding actions had been completed as of 30 June 1967, with DSA being designated as manager of 324,263 items. Of these, 189,152 had been capitalized to DSA by the end of the fiscal year. On 30 June 1967 DSA was centrally procuring 1,538,500 items in 286 FSCs for all the Military Services.\* This represented a net increase of 202,700 items during the year, attributed largely to the Retroactive Item Management Coding Program.

On 1 July 1967, plans were on schedule for transfer of 52 FSCs to the General Services Administration (GSA). The first increment of this transfer involved some 5,000 centrally managed items with assets of \$21 million, and 12,000 local-purchase items. One additional FSC will be transferred during fiscal year 1968.

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\* Distribution of DSA centrally managed items by supply center is shown in table 40 in the appendix. (This is a DoD table, not part of the DSA annex. A copy for reviewers' information is attached, page 48.)

## DSA DISTRIBUTION SYSTEM

No major changes were made during the year in the DSA Distribution System, which continued to consist of seven principal depots, four specialized support depots, and ten Direct Supply Support Points (DSSPs) serving the Navy. However, shortage of storage space on the West Coast due to the current situation has resulted in DSA positioning stocks in Military Service depots and GSA depots in that area. A total of twelve distribution points outside the permanent DSA distribution system was involved, and in addition, leased covered space utilized as required. Meanwhile DSA-owned materiel stored at attrition sites has continued to decrease; on 30 June 1967, there were 20,500 tons remaining at 18 sites.

### Depot Operations

Considerable progress has been made in the development of DSA-wide standard internal depot operating procedures, under a project designated Mechanization of Warehousing and Shipment Processing Procedures (MOWASP). MOWASP will provide paperwork support and computer services for the depot missions of shipping, receiving, shipment preplanning, inventory and warehousing. In July 1966 the Defense General Supply Center (DGSC) became operational under MOWASP. An attempt was also made to implement the system at Defense Depot Mechanicsburg (DDMP) in August 1966. However, computer problems and system overloading caused breakdowns which jeopardized the supply mission and MOWASP was removed from DDMP in September 1966.

MOWASP operations at DGSC provided valuable experience with the system, and it became apparent that many revisions and improvements could be made. Accordingly, MOWASP has been redesigned and reprogrammed and will be installed in the depot at the Defense Construction Supply Center (DCSC) in February 1968. By November 1968, all DSA distribution depots will be operating on the MOWASP system.

The impact of the Southeast Asia situation upon DSA storage operations which became evident in 1966 has continued. Occupied space in DSA depots increased from 16 million square feet on 1 July 1966 to 18 million square feet on 30 June 1967, while the percentage of space occupied rose from 78.5 percent to 87.3 percent during the same period. Utilization of available space increased at all depots except Dayton and Philadelphia, and there was a considerable degree of overcrowding at Tracy, Stockton, and Mechanicsburg. Supplies shipped and received at DSA depots during fiscal year 1967 amounted to 4.5 million short tons, an increase of <sup>38.5</sup> percent over the previous year.

Expanded depot operations required the procurement of 115 new units of materials handling equipment (MHE). DSA also continued in a "Temporary Hold" status 286 over-age MHE units which had been withheld from disposal in the previous fiscal year. The intensified depot operations already described and an extremely high MHE utilization rate - as high as 90 percent compared to a normal 60 percent - caused a heavy attrition among older units, and it was necessary to replace 115 MHE units during the year.

Significant progress was made in the mechanization of warehouse bin-room operations. Installation of a pilot system at Defense Depot Ogden was completed late in the 1967 fiscal year, and anticipated cost reductions became apparent even though the system was in its initial shake-down period. Additional systems are now being procured for Columbus and Memphis, with start of operations expected in calendar year 1968. The system for Mechanicsburg will be procured in fiscal 1968. A metals handling system is being installed at the Memphis depot. At Tracy and Mechanicsburg, metal handling systems are in process of procurement.

#### Logistic Support of Civil Defense

During fiscal year 1967, survival supplies were issued to 8,375 shelter facilities, increasing the grand total of stocked facilities to about 86,000. The supplies issued during the year were enough for nearly six million persons, bringing the cumulative total to a level sufficient for approximately 50 million persons for 14 days. About 75 percent of the total shelter supplies procured (sufficient for 63 million persons for 14 days) had been issued by 30 June 1967. At that time 17 DoD and 14 GSA warehouses served as distribution points to local governments - a reduction of 13 warehouses during the year. While reducing maintenance costs, these closures increased the number of Civil Defense organizations to which shelter supplies must be delivered at Federal expense.

Food inspectors of the U. S. Army Veterinary Corps and Air Force Veterinary Services are being utilized to inspect Civil Defense supplies stored in shelters. The objective is to obtain valid data on the

serviceability of these supplies by inspecting fallout shelters on a scientific sampling basis. DSA has held a series of training seminars for the inspection personnel, and inspections at military installations have begun. Inspections in Federal buildings and then in civilian-owned facilities will follow.

A program was begun to procure and issue special protective devices for supplies to be stored in mines, caves, and tunnels where humidity, moisture and dust make for unfavorable storage conditions. These devices consist of (1) water-resistant fiberboard containers for overpacking larger individual items; (2) protective polyethylene bags for smaller items; (3) bulk polyethylene film for shrouding larger quantities of supplies; and (4) special pallets to provide a firm stacking platform. They are to be issued where required during fiscal year 1968, and will be distributed from six key warehouses located throughout the continental United States.

DSA maintains an engineering equipment inventory for use in natural disasters and during civil defense postattack operations. Principal components of this inventory are 450 miles of 8 inch steel pipe with auxiliary equipment such as pumps, purifiers, chlorinators, and generators. Total value of this inventory was approximately \$6.9 million at the end of fiscal year 1967. During the year, engineering equipment was loaned to 23 States for use in 78 communities to help alleviate the persistent water shortage in the Northeastern United States and the spring floods along the Mississippi River.

## PROCUREMENT AND PRODUCTION PROGRAM

During fiscal year 1967, DSA procurement activities awarded a total of 910,500 contracts aggregating \$6.18 billion. Of the awards subject to competition, 91.5 percent were accomplished through competitive procurement. Awards to small business totaled \$2.59 billion, or 45.8 percent of all awards to U. S. firms. This represents a record high dollar value awarded to small business during any fiscal year since the activation of the Agency. Awards of \$10,000 and above in labor surplus areas totaled \$587 million, or 12.3 percent of all DSA awards in the United States and possessions.

Contract review and approval levels were revised to take into consideration the increased procurement workload of the Agency during fiscal year 1967. Contract review procedures were also revised to provide for indepth review of actions. Notwithstanding the revised criteria, contracts subject to review and approval increased 25 percent, and dollars subject to review increased 20 percent in fiscal year 1967 over fiscal year 1966. Of the total annual procurement program, 13.8 percent was subject to Headquarters review and approval. Late in the year a new requirement, effective 1 July 1967, was imposed on DSA procuring activities for local contract review. This will be performed by an independent office as staff to the Director of Procurement and Production.

Headquarters and field Industrial Mobilization Planning organizations continued to support procurement and production for SEA. Towards the end of the year, as this workload diminished, these personnel reverted back to their basic planning function. Accordingly, for most of the year, a minimum of Industrial Mobilization Planning was conducted, with the major effort being expended on existing planned mobilization agreements with planned suppliers.

Progress continued toward implementation of the Standard Automated Materiel Management System (SAMMS). During the year procedures in the procurement subsystem of SAMMS were developed for computer generation of delivery orders, purchase orders, including calls against blanket purchase agreements, and unpriced purchase orders. This system, which encompasses both large and small purchases, is scheduled for initial implementation at the Defense Construction Supply Center (DCSC) in January 1969.

The Zero Defects Program has been given new vitality by the creation of a high level council to stimulate both industry and in-house programs. A formal requirement that all DSA field activities establish a Zero Defects unit within the Office of Planning and Management, effective 1 July 1967, has already received informal implementation in most instances. This new development has served to re-emphasize all aspects of the DSA-wide integrated Quality and Reliability Program. Salient features of that program during the year were closer liaison with Defense Contract Administration Services, rigorous follow-up on complaints, and promulgation of new updated policies implementing recently published changes to the Armed Services Procurement Regulations (ASPR). The program continues to stress contractor responsibility

for quality, as the keystone of the DSA quality assurance concept. The Quality Check Program was expanded during the year to include Coast Guard stations and Job Corps centers in its scheduled round of customer visits. At depots, the Quality Audit Program has given emphasis to monetary recovery through prompt procurement warranty actions. This has reinforced its basic function of preventive quality control, to assure that defective items do not enter the supply system.

DSA requests to the Department of Commerce for special assistance under the Priorities and Allocations Program continued at a high rate. Approximately 350 cases involving expedited delivery of materials on existing contracts, mostly for use in Vietnam, were handled during the year.

During fiscal year 1967, industry was more responsive to DSA needs for procurement coverage on critical items than in the previous year, and use of the Rated Order procedure to impose mandatory orders was reduced about 40 percent. Approximately 300 rated orders were issued, all of them in the first half of the year, and by February 1967 no rated orders were in force.

A pilot program for Contractor Performance Evaluation (CPE), conducted under DoD direction, has been under test at the Construction, Electronics, and General Supply Centers during the past year. Purpose was to determine whether CPE, which had already been implemented in the RDT&E area, could be extended to equipment and supply contracts. CPE is designed to provide the procuring activities with a record of contractor delivery and quality performance, for their use in documenting contract files and making determinations of responsibility. CPE data is stored in central data banks by the eleven Defense Contract Administration Services Regions (DCASRs), and

is made available on request. DSA forwarded the final report on the pilot program to the ASD(I&L) recommending that, while the program is feasible, a cost-effectiveness study should be made before DoD-wide implementation.

In an effort to decrease contract delinquency, special management emphasis was given to the establishment and use of more realistic production lead times and to improvement of contract status reporting. Special reporting procedures were utilized for monitoring production progress on critical items in support of Southeast Asia (e.g., landing mats, concertina barbed wire, tropical combat uniforms, tropical boots). In addition, these reporting procedures provided output for required reports to authorities outside this Agency such as the Joint Materiel Priorities and Allocations Board and the JCS Ad Hoc Landing Mat Committee. In order to assure maximum efforts to expedite production of critical items, DSA Headquarters maintained close liaison with Defense Supply Centers and Defense Contract Administration Services field offices.

During fiscal year 1967, DSA purchased Service-managed items in DSA assigned classes to the amount of \$380.4 million, an increase of 47 percent over the previous year in this facet of the DoD Coordinated Procurement Program. In past years, there was wide variance among the Services in their interpretation of the exception criteria which permitted a Service to buy its own requirements for these items. To secure more uniform application of the exception criteria, DSA developed and coordinated with the Services an interpretation guide. This was issued in February 1967 with the approval of the OASD(I&L).

## DEFENSE-WIDE SERVICES

During fiscal year 1967, DSA continued to administer Defense-wide programs for cataloging, materiel utilization, surplus disposal, technical documentation services, and coordinated procurement. DSA was also standardization assignee for approximately 2.5 million items, or 62 percent of the 3.96 million DoD items in the Federal Catalog.

### Cataloging and Technical Data

There was a net increase of 117,606 DoD items in the Federal Catalog during the fiscal year. This actually represented 377,484 additions and 259,878 deletions.\* The net increase in catalog items could be attributed primarily to the introduction of repair parts for new major end items. However, inventory managers have also shown reluctance to initiate inventory disposal actions for maintenance parts which normally would become obsolescent, since many of these parts support older equipments still in use in Southeast Asia. The validity of this policy is demonstrated by the fact that 32,247 of the "new" items added during the year were actually reactivations of inactive items.

DSA continued to give major attention to reductions in the number of items in assigned commodity classes. In fiscal year 1967, as a result of identification of duplicate or similar items and of standardization actions, decisions were made and concurred in by the military departments to eliminate 97,015 items. These decisions were based on a review of 290,703 items during the 12-month period.

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\* See table 42 in the appendix. (This is a DoD table and not part of the DSA Annex. A copy for reviewer's information is attached, page 50.)

Use of provisioning screening techniques has continued to increase.

A total of 4,878,943 manufacturers' parts were screened during 1967, an increase of 39 percent over the previous year. The ratio of provisioning items matched to existing Federal Stock Numbers (FSNs) increased to approximately 39.7 percent. All provisioning items identified with an FSN were also screened against the PLUS file of long supply and excess items. Assets were found to exist for 10.2 percent of the FSNs matched, leading to normal reutilization procedures.

Items screened for purposes other than provisioning totaled 1,069,476 manufacturers' numbers and 798,980 FSNs. One example of such use was the part number screening of contractor stocks in Vietnam prior to turnover of the contractor inventory to the Military Services, for local reutilization. Approximately 65 percent of this inventory was identified. The emergency file screening service for support of high-priority requisitions, initiated in the previous year in support of SEA operations, was discontinued in November 1966 because the normal processing schedule could provide daily service. By the end of the fiscal year, turn around time for provisioning screening was 12 hours by wire and 7 days by mail.

As part of the SAMMS concept, a Catalog Subsystem Revised Requirement and a revised Manual of Operating Procedures were completed and published in June 1967. DI SC chaired the task group which coordinated these revised documents. The Catalog Sub-System of SAMMS is scheduled for implementation at the pilot supply Center (DCSC) in January 1969.

During fiscal year 1967, the Federal Item Identification Guide (FIIG) Improvement Program moved ahead in development of documents and preparation of item logistics data. Six FIIGs were published and work was begun on redescription in the improved format of active items presently in the files. In all, work on 79 FIIGs was underway or completed. A total of 263 FIIGs had been scheduled, covering commodity areas previously included in 1370 description patterns. The ultimate objective of the FIIG Improvement Program is to provide the means for mechanized collection and retrieval of supply logistics data from a single record for multiple logistics purposes.

The DLSC Integrated Data System (DIDS) described in last year's report has progressed to the stage of a formal system requirement.

This document was completed in September 1966, coordinated with various DoD activities and GSA, and submitted to the ASD(I&L) for approval on 5 December 1966. Subsequently, two additional areas were added: Communications, transmitted to ASD(I&L) on 1 May 1967, and Management Statistics, which is currently being staffed with DoD and Federal civil agencies.

While the ASD(I&L) has not given an unqualified approval to the DIDS requirement, he has approved the continuation of system design studies. A systems design specification based on the DIDS requirement is currently in preparation, and will be part of a projected Request for Proposals for a new machine configuration to be completed in fiscal year 1968.

## Military Standard Data Systems

Jointly the military departments, DSA, and other Government agencies have created a large family of military standard data systems. Current objectives and developments of the DoD tend toward designing standardized information systems through the building-block approach-- each block capitalizing on the uniformity of data established by the other. Standardization based on the creation of common languages, codes, and machine processable formats permits the integration of various information exchange systems whereby the data output of one system becomes the input to another, to meet current and projected logistics requirements. Because of the large amount of supply support which crosses Military Service lines, DSA has been designated as the systems administrator for system development and surveillance.

In December 1966 the procedures manual for Military Standard Contract Administration Procedures (MILSCAP) was published and distributed to all DoD components as well as other Federal agencies and many interested commercial contractors. MILSCAP is aimed at standardizing a large amount of data in the functional areas of procurement, contract administration, inventory control, storage and financial accounting. It will have its major impact in two areas -- procurement and contract administration -- hitherto relatively untouched by DoD

data standardization or mechanization. The new system will replace a variety of nonstandard procedures now being used by Defense Contract Administration Services Regions (DCASRs), the contract administration offices controlled by the military departments, and contract-awarding activities DoD-wide. Because of its impact on existing ways of doing business, the full system may require as many as two to three years for complete implementation.

In June 1967 the finalized DoD instruction / <sup>and operating manual</sup> for the Military Supply and Transportation Evaluation Procedures (MILSTEP) were forwarded to all DoD components. MILSTEP is a DoD standard data system for collection of data necessary to measure supply systems performance and transportation effectiveness. This measurement is applicable to activities throughout the Department of Defense and GSA insofar as they support the Military Services. One of the management reports (the Supply Availability and Analysis Report) will be implemented with data accumulated from 1 October 1967. The pipeline performance and analysis / report is scheduled to start on 31 March 1968.

Implementation of the DoD Automatic Addressing System (DAAS) has adhered to the schedule outlined in last year's report. The back-up facility at McClellan Air Force Base was activated on 13 August 1966, and successfully assumed the entire workload of the system on a temporary basis. Expansion and reprogramming of the original facility at Gentile Air Force <sup>Station</sup> / was completed on 17 October 1966. This phase of DAAS will be complete after a limited number of additional

is nominated by the Military Services are added early in fiscal year 1968. As an interim measure, workload on the system has been limited to the capacity of a single facility, or 175,000 average-length messages in a 24-hour period. This was done to provide an alternate routing capability in the event of a technical failure at one facility.

However, the Military Services have an immediate requirement for additional capacity to add subscribers during the intervening period before a long-range DoD-wide DAAS system can be implemented. An enhancement plan for augmenting the current system has been developed and approved by the Assistant Secretary of Defense (I&L). This provides for activation of three additional DAAS facilities in fiscal year 1968 - two to be located at Gentile Air Force Station and one at McClellan AFB, augmenting the present facilities at these two locations.

#### Item Entry Control

The expanded Defense Item Entry Control Technical Review program described in last year's report has been implemented on schedule.

Thirteen Defense Technical Review Activities (DTRAs), four at DSA supply centers and nine at inventory control points of the military departments, have been activated. As of 30 June 1967, 67 Federal Supply Classes, accounting for approximately 75 percent of all new item growth in the Federal Catalog; had been <sup>assigned or</sup> brought under the program. In this connection the DoD Five Year Standardization Program was recently revised, establishing accelerated targets for standardization actions within these same high-growth classes. These new goals provided for the initiation of new item reduction studies to achieve 100 percent standardization status

coding coverage within these classes in a five-year period. Military standards, to include providing preferred parts lists for use in new designs, are programmed to give optimum coverage in Federal Supply Group 53 (Hardware) and Federal Supply Group 59 (Electronics) by the end of fiscal year 1970, and in all high growth classes two years later. The necessary item reduction studies are to be performed by the DTRAs.

During fiscal year 1967, the four DSA DTRAs reviewed 203,272 proposed new items of which 71,420 or 35 percent were determined to match, or be substitutable for, items already in the DoD supply system. An additional 15,252 items were returned to the originators for various errors in item identification.

#### Materiel Utilization

The salient development during the year in materiel utilization was a decrease of approximately 32 percent in the volume of assets available for redistribution. Specialists in the field ascribe this decline to the increased stock level authorizations of the Military Services for support of Southeast Asia operations. Materiel utilized within DoD decreased about 17 percent during the year to \$1,540 million, so that the proportion of available assets reutilized actually increased, and exceeded goals in this functional area by 4 percent.

Efforts continued toward refinement of mechanized procedures designed to screen releasable assets of one military service Inventory Control Point (ICP) against the requirements of another. Reutilization resulting from this process, conducted centrally at DLSC and from direct interroga-

ions between ICPs, totaled \$434 million during the year (\$348 million interservice reutilization and \$86 million intraservice reutilization). Utilization of military service declared excess amounted to \$1,106 million during fiscal year 1967.\*

Use of the brochure advertising technique for screening weapon system phase-out property, described in previous reports, has continued to expand. During the twelve-month period this technique accounted for \$257.6 million of reutilization, an increase of about 102 percent over the previous fiscal year.

Reutilization of high-value excess property (over \$10,000 acquisition cost, regardless of type) which also utilized brochure techniques, continued to be successful. Materiel in this category worth \$55.1 million was reutilized in fiscal 1967, an increase of \$6.3 million over the previous year. In this activity, utilization amounted to 83 percent of the value of all materiel advertised.

DSA has the responsibility for DoD-wide reutilization screening of automatic data processing equipment (ADPE). The assignment applies to both Government-owned and leased equipment of commercial type, and was implemented on 1 July 1964 by establishing an ADPE Reutilization Screening Office within DSA Headquarters. During its third year of operation, this program resulted in redistribution of excess equipment worth \$73.7 million -- \$64.1 million Government-owned and \$9.6 million leased equipment -- through centralized screening techniques. The total included \$15.2 million utilized by

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\* See table 41 in the appendix. (This is a DoD table, and not part of the DSA annex. A copy for reviewers' information is attached, page 49 .)

civil agencies through an interchange of information with GSA. The inventory of Government-owned ADPE on hand on 30 June 1967 was worth \$17.7 million.

### Industrial Plant Equipment

The Defense Industrial Plant Equipment Center (DIPEC) at Memphis, Tenn., is charged with primary responsibility for development and maintenance of central records of the DoD inventory of industrial plant equipment (IPE), and the management of idle equipment. At the end of fiscal year 1967 DIPEC held records of 424,849 items with an acquisition cost of some \$4.23 billion. The Center received 44,238 requests for equipment during the year, and redistributed 13,841 units with an acquisition value of \$165.5 million, which had been declared idle by military and contractor activities of the Defense Department. This amount was credited to the Cost Reduction Program for fiscal year 1967. An additional \$27.2 million worth of IPE not eligible for cost reduction reporting was redistributed to the Military Assistance Program, the Atomic Energy Commission, National Aeronautics and Space Administration, Federal Aviation Agency, and others. Total redistributions for fiscal 1967 amounted to \$192.7 million in terms of original acquisition cost of the equipment. Another 5,283 items of equipment worth \$22,208,053 was on loan to vocational schools under terms of Public Law 883.

DIPEC ended fiscal year 1967 with 22,986 items of idle equipment valued at \$211.1 million in the General Reserve. The balance of the DoD Industrial Equipment Reserve, controlled by the military departments, consisted of 31,609 items valued at \$416.3

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This portion of the IPE reserve is earmarked for specific mobilization requirements and is normally not available for allocation.

Until very recently, IPE was not effectively identified. The first handbook of standards for describing IPE which Defense activities use in preparing property records for their own management uses and for reporting idle IPE to DIPEC was published in April 1965. By 30 June 1967, a total of 39 handbooks covering the entire DIPEC scope had been published, and this project was in a maintenance status. However, use of these procedures has increased the number of identified items of IPE from 63,959 in June 1966 to 106,549 in June 1967. Preparations for re-issue of all the older handbooks are now underway. Several are expected to be triple the original size in their revised versions. These handbooks have made a major contribution to improvement in the adequacy of controls over Government-owned property in the possession of contractors. They were printed by the GPO and are available commercially through the Superintendent of Documents.

Concurrent with the development of the IPE handbooks, DIPEC identified and recorded interest at the Defense Logistics Services Center (DLSC) on more than 13,000 Federal Supply Numbers (FSNs) which align to IPE criteria. As a result, FSNs for IPE are screened twice weekly by DLSC against ICP requirements and assets, matches are forwarded to DIPEC, available industrial system assets are offered to fill supply system requirements, and supply systems assets are used by DIPEC to fill industrial system requirements. However, to date this procedure has had limited applicability because the DoD industrial system has only adopted Federal Catalog nomenclature to a limited extent.

On 5 May 1967 the Armed Services Procurement Regulation (ASPR) approved a requirement that contractors' official records of Defense-owned equipment costing \$200 or more employ standard Federal Catalog nomenclature citing specific FSC numbers. With this action, effective communications within and between the DoD industrial system and the DoD supply system can be established. The ASPR Committee also approved modifications of the ASPR creating contractual obligations for compliance with the established systems and procedures for reporting such equipment to DIPEC. A proposed DSA Regulation has also been drafted on a DIPEC Field Visits Program, to make better use of the new management tools which have been developed, and which are prerequisites for overcoming the lack of information on Defense-owned IPE.

#### Materiel Disposal

DSA is responsible for the administration of the DoD Disposal Program world-wide, including utilization of DoD excess, donations, sales, demilitarization, and scrap preparation. Under authority of the annual DoD Appropriations Act, the costs incurred by all DoD elements engaged in the disposal of excess, surplus, and foreign excess personal property are reimbursed from the proceeds of sales, and the remaining proceeds are transferred to the U. S. Treasury.

Property declared excess, surplus and foreign excess within DoD during fiscal year 1967 amounted to \$4.8 billion which was \$.4 billion less than in the previous year, reflecting the continuation of the downward trends since 1964. The decrease in generations has been a result of increased mission assignments by the Military Services and DSA, and withholding actions on declaring items as excess due to increased requirements resulting from SEA.

The dollar value of DoD property processed for disposal during fiscal 1967 was \$5.745 billion, of which \$2.399 billion was reutilized within

transferred to other Federal agencies and the Military Assistance Program, or donated to authorized recipients. Value of property sold, scrapped, abandoned, or destroyed during the year was \$3.346 billion. Further details regarding these programs are given in table 41 of the appendix.\*

The DoD average rate of return for 1967 was 5.4 percent, a decrease of 1.1 percent from the previous year; this was a direct result of increasing utilization and because the character of usable property available for sale<sup>a</sup> was changing. It was generally of/specialized military nature such as aeronautical equipment, which had limited commercial demand and marketability.

Proceeds from the sale of scrap have increased slightly partially due to improved segregation of scrap materials increasing the price per ton of nonferrous scrap. Proceeds totaled \$101.4 million for / 1967, a \$17 million decrease from 1966. The overall decrease in proceeds from the disposal program has been offset to a certain degree by a \$6.6 million decline in operating expenses from the previous year. Total expenditures in 1967 amounted to \$73.6 million.

Some reduction in program costs has been effected through consolidations. By the end of the fiscal year 1967, the consolidation of 79 surplus holding activities of all the military services had been directed. Seventy activities had completed consolidation, five were in process of consolidation, and four consolidations had been cancelled because of base closures. Estimated annual savings which are currently accruing amount to \$3.3 million and 376 personnel spaces.

\* This is a DoD table - not part of the DSA Annex; a copy for reviewer's information is attached, page 49 .

The Defense Documentation Center (DDC) is the central facility for secondary distribution of technical reports of research and development activities sponsored by DoD. DDC provides classified and unclassified technical and management information services, without charge, to Government organizations and contractors engaged in Government research and development programs.

A new Directorate of Research and Engineering Management Information was established in DDC in April 1967, mainly to administer the DoD Research and Technology Work Unit Data Bank, initiated in the previous fiscal year. This activity, which reflects the status of on-going research projects, has attracted wide attention in the Federal scientific community. On 30 June 1967 it encompassed 30,220 resumes, an increase of 63 percent during the year. The National Aeronautics and Space Administration (NASA) contributed over 3,000 of the added resumes. Change notices to existing projects doubled during the year, and requests for work unit data tripled in volume. Meanwhile, DDC was assigned responsibilities for developing the following subsidiary data banks: (1) the DoD Technical Facilities Data bank; (2) the Information Sciences Technology Data Bank; and (3) the Interagency Life Sciences Exchange Data Bank. DDC also designed and provided temporary computer support for the Computer Sciences Technology Data Base, which will ultimately be transferred to the National Bureau of Standards.

In December 1966, DDC was assigned responsibility for the maintenance and continuing development of the DoD Thesaurus of Engineering and Scientific Terms (TEST). As a related activity, the center was also made responsible for the review of terms in TEST for their applicability in the Data Elements Standardization Program, controlled by the Assistant Secretary of Defense (Comptroller).

DDC also completed the implementation of missions assigned in previous years, such as primary distribution of foreign technical reports, data bank services for Contractor Performance Evaluation and Contractor Cost Reduction Reports, and mechanized central certification of users for access to DoD-sponsored technical information. Expansion of both old and new programs necessitated an increase in authorized civilian strength from 511 to 602 employees. Nevertheless, over-all costs of DDC operations were reduced by \$1.1 million, or about 11 percent, below fiscal year 1966 costs. This was accomplished by various procedural and organizational changes, including the disestablishment of five DDC Field Service Offices and the introduction of an entirely new automated system of document distribution.

DDC filled 1,846,240 requests for documents during the year, an increase over the previous year of 23 percent. Requests for bibliographies filled in fiscal 1967 totaled 20,365, and 52,972 new titles were announced in the Technical Abstract Bulletins.

#### Relationships With Federal Civil Agencies

During fiscal year 1967, DSA and the GSA's Federal Supply Service (FSS) completed their joint review of commodity management assignments, designating 53 Federal classes as "Primary FSS Classes" and 99 Federal classes as "Primary DSA Classes." As noted earlier in this report, arrangements for transfer to the FSS of 17,000 items in 52 Federal classes had been completed by the end of the fiscal year. Action was also initiated to transfer one more FSS class, and all items designated for integrated management in all Primary FSS Classes, excluding a limited number of exception items to be retained under DSA management. In addition, remaining items in the classes associated with paint and hand tools, and all functions performed by DSA

applicable to those classes, will be transferred either to the FSS or to Military Services for management.

DSA has continued to study its capability to support civil agencies with DSA-managed commodities without impairing the Agency's primary mission. Planning actions have already begun with respect to DSA assumption of support in bulk fuels and packaged petroleum products. This critical commodity support will be phased in to assure continuity of support to both Department of Defense and civil agency customers. Similar actions are scheduled for electronics support. For medical supplies and non-perishable subsistence, the Defense Personnel Support Center has been directed to undertake a technical review, to identify areas in which there exists a potential for increased commonality in DSA and civil agency items sufficient to warrant expansion of DSA mission support.

Additional formal agreements were made during fiscal year 1967 whereby DSA became responsible for supporting the Federal Aviation Agency with meals, combat, individual; the Post Office Department with selected electronic, general and industrial supplies; and the Agency for International Development with medical items (through the U.S. Medical Depot, Ryukyu). Negotiations are also in progress for supporting the Bureau of Indian Affairs with perishable subsistence.

DSA support to civil agencies during fiscal year 1967 is listed in figure 2.

# SALES TO CIVIL AGENCIES UNDER FORMAL INTERAGENCY AGREEMENTS

Fiscal Year 1967

U.S. Coast Guard (All Commodities)	\$ 7,900,000
Public Health Service (Medical)	763,000
General Services Administration (Electronics)	8,000
Veterans Administration (Medical)	147,000
Atomic Energy Commission (Subsistence)	932,000
Federal Aviation Agency (Electronics)	2,068,000
Federal Aviation Agency (Subsistence)	60,000
National Aeronautics and Space Administration (All Commodities)	3,620,000
Maritime Administration (Clothing & Textiles)	5,000
Veterans Administration and Public Health Service (Perishable Subsistence)	1,411,000
Office of Economic Opportunity (Job Corps)	10,387,000

Figure 2

## DEFENSE CONTRACT ADMINISTRATION SERVICES

The establishment and organization of Defense Contract Administration Services (DCAS) were described in the annual report for fiscal year 1965. Full implementation of this concept and complete activation of a Nation-wide DCAS field organization were reported in fiscal year 1966. At the end of fiscal year 1967 DCAS was administering 272,000 prime and secondary contracts, an increase of 39.5 percent during the year. During the second half of the year, an average of 173,000 invoices were completed each month, an increase of 30 percent over the average workload in the corresponding period of the previous year. The dollar value of materiel inspected and released for shipment rose to \$1.9 billion in June 1967, an increase of 27 percent over the June 1966 dollar value inspected and released.

This expansion was primarily due to stepped-up effort in support of SEA operations and additional NASA requirements. The additional workload was handled with a relatively small increase in work force. From June 1966 to June 1967 DCAS civilian manpower rose from 20,793 to 23,308, an increase of only 12 percent. Some of the new DCAS programs and areas of major effort during fiscal year 1967 were:

The Corporate Administrative Contracting Officer (CACO) Program entails the assignment of an administrative contracting officer (ACO) to be cognizant of a contractor's corporate-level organization. The CACO is responsible for the review and approval of policies and procedures having impact upon subordinate contractor organizations under the cognizance of different ACOs. The program is presently applicable only to contractors entirely under the administrative cognizance of DCAS.

## Contractor Weighted Average Share in Cost Risk (CWAS) Program

was implemented in accordance with Defense Procurement Circular No. 50, dated 30 December 1966. The program encompasses (1) a technique for determining the contractor's assumption of cost risk for a given fiscal year through analysis, by contract type, of costs incurred; and (2) the establishment of a threshold level for the relaxation of certain overhead cost reasonableness criteria as set forth in ASPR. The CWAS program, which applies to both DoD and NASA contracts, was implemented by publishing an annex to DSA Manual 8105.1.

Management of Property- Programs initiated in fiscal year 1966 to improve property management were continued. In addition, the following actions were taken to further improve the management of Government property in the possession of contractors: (1) Letters forwarded to major contractors emphasized the necessity for proper management of Government property in their possession, provided a summary of the standards used to evaluate their property control systems, and solicited their personal cooperation. (2) Each director of a DCAS region (DCASR) was advised of deficiencies reported by reviewing authorities during the previous fiscal year, so more positive action could be taken to eliminate them. (3) A new course on property administration <sup>is being</sup> / developed for presentation at the Air Force Institute of Technology. This will provide both basic and advanced training. (4) A project was initiated for the assessment of all aspects of property administration, including policies, procedures, organization, personnel qualifications, and training.

Small Business and Economic Utilization - Vigorous activity in

areas has continued. Subcontracting programs have been established in 1,488 prime contractor plants and are being reviewed quarterly by a DCAS field force of 51 small business and labor surplus area specialists. Subcontracting commitments of \$4.1 billion were made to small business firms under cognizance of the DCAS Small Business Program during fiscal year 1967. This represents 49.3 percent of total subcontracting commitments to all subcontractors under the DCAS program.

Terminated Contracts - Workload involving the administration of contracts terminated for the convenience of the Government increased 43.5 percent during fiscal year 1967. During this period a standby plan was developed to provide each DCASR with a readiness capability for responding to an expanded termination program which could result from a cessation of hostilities in Southeast Asia.

Systems Support - Systems Support, once a DCAS staff office concerned with engineering responsibility on selected major weapons contracts, has been integrated within the Production Directorate as a technical management division. Industrial specialists have been assigned to provide an expediting capability for high-priority contracts. At the end of the year technical managers were coordinating over 1,200 contracts to assure complete and timely action by other functional elements. Approximately 700 of these were ammunition contracts in support of SEA.

Industrial Security - DSA CAS had responsibility for security administration of all classified DoD contracts and for classified contracts awarded by nine other Federal departments and agencies. To improve the

interface with user agencies, a security training presentation was developed for procuring contracting officers. By the end of the year, each DCASR had the capability of conducting security orientation seminars. Major revisions were also completed in three basic publications: the Defense Industrial Security Clearance Manual, Industrial Security Operating Manual, and Cryptographic Supplement to the Industrial Security Manual.

The Defense Industrial Security Clearance Office (DISCO) processing time for a SECRET clearance averaged 25 days during 1967, whereas during the first year of DCAS operation average time was 60 days. Transfers of clearances between companies when employees change jobs, for which the Services took 30 days, were being processed in 5 days at the end of the year. On 30 June 1967 DISCO had 13,970 industrial facilities under cognizance. A major improvement during the year in streamlining the DISCO system was a reduction in the number of copies of the Personnel Security Questionnaire required from five copies to one.

Contract Management Reviews - During the year four DCASRs (New York, Philadelphia, Dallas and Boston) were reviewed by a Contract Management Review Team from HQ DSA CAS. These reviews were conducted in compliance with DoD Directive 5126.34, which requires that all phases of contract administration be reviewed periodically, and that the results be reported to the ASD(I&L). The objective was to provide management levels with current information as to the effectiveness of DCASR operations and management, and to provide management consultant assistance to the regions. Contract Management Review is a relatively new program (the first review was conducted in March 1966), and has

been highly beneficial in identifying and resolving operational and managerial problems.

Customer Relations Visits - This program was initiated in November 1966. The objective, to improve DCAS responsiveness to the buying activities through better communications, was implemented by three Customer Relations Teams each of which was composed of representatives from three HQ DSA CAS Directorates (Contract Administration, Production, and Quality Assurance). The three teams have visited 62 Service, NASA, and DSA buying activities to discuss their problems, especially areas in which HQ DSA CAS responsiveness and service could be improved. In addition, cooperation was solicited in those areas where certain actions by the buying activities would enable DCAS to provide better service.

Plant Assimilations - During the year HQ DSA CAS assumed cognizance of contract administration responsibilities in two contractor plants (Martin-Marietta Corporation, Orlando, Florida, and the Sperry-Utah Company, Salt Lake City, Utah) which had been reassigned to DSA from the Army by the OSD. Transfer of the offices responsible for these plants required major realignments of organizational structures, communication channels, and established working procedures, but they are now operating effectively as members of the DCAS organization.

Quality Assurance Engineering Support Program - OSD recently directed amplification of the normal engineering support functions expected of all DoD CAS components. This involved expansion of the one engineering function specified in the original DCAS National Implementation Plan

to the present 15 normal engineering support functions. Within DCAS, Quality Assurance engineering was assigned responsibility for those aspects of the engineering support functions pertaining to quality, reliability and performance. Detailed guidance was provided to field quality assurance personnel in February 1967, for effective and timely management of these added engineering functions.

Specialized Safety and Flight Operations (SS&FO) Program - The DCASRs became fully staffed for this program during fiscal year 1967 with 62 military and 53 civilian personnel. The staffs now were capable of handling the entire SS&FO mission without assistance from the three military Services. The SS&FO functions were enlarged on 25 October 1966, to encompass surveillance of all flight safety and safety matters on hazardous and dangerous materials and processes as required by the contracts at those plants assigned DCAS cognizance.

Quality Assurance Management Data - In early 1966, it was determined that data which would be more indicative of contractors' performance was needed, as well as improvements in data already being collected for managerial purposes. A committee was therefore established to develop a statistical approach to an index of contractors' effectiveness in the quality assurance area, and to provide data which would be indicative of the technical activities of a Quality Assurance Representative (QAR). This project resulted in the establishment of indices in three areas: (1) quality of material inspected by the QAR; (2) effectiveness of the contractor's quality assurance program; and (3) effectiveness of the QAR's application of the Procurement Quality Assurance Program. The project was implemented on 1 July 1967.

Staff Personnel Utilization - A project to investigate the effectiveness of utilization of staff personnel in the DCASRs was initiated in 1966. The project was assigned to the Atlanta DCASR, and had the objectives of: (1) identifying the activities of staff personnel; (2) providing data for judging effectiveness of utilization of staff personnel; (3) determining if resources were being fully utilized; and (4) relating these activities to the DSA Cost Accounting System. The Atlanta DCASR identified 22 areas of activity which were approved as specific functions to be reported, and each of these, in turn, was related to a specific identity in the cost accounting system. Atlanta prepared the program in detail, including program instructions for ADP handling of reported data, and a report format known as DSA Form 376a. The program was implemented for test purposes on 1 July 1967.

Inspection & Quality Control Career Management - The activation of DCAS brought under one management quality control personnel who were specialized in a wide variety of commodities and industrial processes. A need became evident for revision of job classification standards in this area, and also for immediate guidance to assure equitable interpretation of the existing standards in various complex work situations.

The Staff Director for Civilian Personnel and HQ DSA CAS developed a guideline for the classification of nonsupervisory Quality Assurance Representative positions, which was issued for trial application on 1 July 1967.

Foreign Governments Procurement Support - In response to a request from OASD (I&L), the Quality Assurance Directorate has developed procedures for direct assumption of an executive agency assignment for foreign government procurement support. In the past DCAS has performed the bulk of the quality assurance support of these foreign purchases but has received the requests through the military departments. Direct communication between the foreign embassies and DCAS will shorten the time flow of correspondence. It is anticipated this agency assignment will rest in the New York DCASR.

Mechanization of CAS Data System - The establishment of an automated management information system continues to progress according to plan. The MOCAS 1A system, which was designed to provide improved ADP output products for management, was implemented during the fiscal year at all DCASRs. MOCAS 1A utilizes the original ADP equipment, IBM 1401 and Honeywell 200 punched card processors. In order to overcome the large and difficult punched card processing workload, action was taken during 1967 to upgrade the H-200 equipment with tapes at the five large DCASRs (New York, Los Angeles, Boston, Chicago and Philadelphia). The upgraded equipment was installed between January and July 1967. During the year it also became apparent that the limitations of the original equipment coupled with the increased workload dictated that new and uniform ADPE be acquired for all DCASRs. System specifications, identified as MOCAS 1B, were developed with the primary objective of obtaining better ADPE for the MOCAS system on a

competitive basis. The MOCAS IB standard equipment is scheduled for installation and implementation at all DCASRs during fiscal year 1969. However, this is an interim system and will ultimately be replaced by MOCAS II, which will be the DSA implementation of MILSCAP, described earlier in this report.

Summary - After eighteen months of full operation, DCAS is performing its mission effectively and efficiently. Many management improvements have been successfully applied during this short period. More significant benefits and improved performance can be expected as DCAS gains additional experience and performance data in operations.

## BUDGETING AND FUNDING

Generally, DSA uses appropriated Operation and Maintenance (O&M) and Research, Development, Test and Evaluation (RDT&E) funds to pay operating costs and a Stock Fund to finance supply inventories. Other fund authorizations are also used for Military Construction; Procurement, Defense Agencies (PDA); and Family Housing.

DSA's share of the O&M Defense Agencies' obligations in fiscal year 1967 was \$551.0 million. Additional funds of \$38.7 million were received from the military departments and other Government agencies as reimbursement. Also, the military departments funded \$17.1 million for military personnel assigned to DSA in FY 1967. The total operating cost for the year 1967, including reimbursements and military pay, amounted to \$606.7 million.

RDT&E funds are used for the operating and management costs of the Defense Documentation Center (DDC). In fiscal year 1967, DSA obligated \$9.0 million in RDT&E funds for this purpose.

DSA received Military Construction funds totaling \$1.9 million during fiscal year 1967 to provide for administrative and logistical facilities, including minor construction and planning. Procurement, Defense Agencies funds in fiscal year 1967 in the amount of \$14.3 million were received by DSA, principally for procurement of materials handling equipment, mechanized materials handling systems, and automatic data processing equipment. Under the appropriation Family Housing, Defense, \$0.1 million was obligated by DSA during fiscal year 1967 to operate 96 family housing units.

Data reflecting final obligations and sales of the Defense Stockpile for fiscal year 1967 are reflected in figure 1. A major buildup in DSA inventories during the fiscal year was authorized in successive increments reflecting tight fiscal controls responsive to guidance from higher levels and based on progressive changes in the Southeast Asia situation. Obligations exceeded net sales by \$333.5 million in fiscal year 1967, reflecting a continuation of fiscal year 1966 operations, when the net investment increase amounted to \$1,322.5 million. A noteworthy feature of the situation on 30 June 1967 was the fact that on-hand inventories increased by \$902.2 million during the year (including a mobilization reserve buildup of \$209.5 million), while materiel on order decreased by \$318.8 million during the year.

#### PERSONNEL

During fiscal year 1967, DSA civilian strength increased from 55,851 to 64,448 (see figure 3). This increase, to carry out SEA support, required Agency-wide emphasis on recruiting needed skills. This effort was especially challenging because of the high turnover and tight labor market which complicated the filling of temporary positions. Approximately 10,000 of DSA's 30 June 1967 strength were temporaries.

In addition to accelerated hiring, fiscal 1967 was characterized by Agency-wide strengthening of civilian personnel programs. For example, employee suggestions submitted and adopted increased by almost half over the previous year, and estimated dollar benefits almost trebled to over \$8 million. Nearly 6,500 employees received functional or supervisory training during the year, and the use of Service school training courses for this purpose more than doubled. DSA hired 1,292 college-caliber employees during 1967, and employed over 3,000 summer workers under the various programs.

# STATUS OF DSA PERSONNEL

	June 30, 1966			June 30, 1967		
	Total <sup>a/</sup>	Civ	Mil	Total <sup>a/</sup>	Civ	Mil
Defense Supply Centers:.....	(21,941)			(23,660)		
Construction	5,141	5,082	59	5,801	5,747	54
Electronics	3,782	3,738	44	4,048	4,005	43
Fuel	189	171	18	186	169	17
General	3,038	2,976	62	3,581	3,528	53
Industrial	2,783	2,740	43	2,779	2,734	45
Personnel Support	7,008	6,813	195	7,265	7,096	169
(Clothing factory only)	(2,419)	(2,418)	(1)	(2,388)	(2,387)	(1)
Defense Depots:.....	(9,711)			(12,629)		
Mechanicsburg	1,871	1,843	28	1,862	1,836	26
Memphis	2,082	2,059	23	2,535	2,514	21
Ogden	3,327	3,306	21	5,017	4,998	19
Tracy	2,431	2,416	15	3,215	3,197	18
Defense Contract Admin.						
Service Regions:.....	(20,974)			(24,447)		
Atlanta	1,568	1,519	49	1,848	1,797	51
Boston	2,790	2,748	42	3,099	3,055	44
Chicago	2,056	2,026	30	2,352	2,318	34
Cleveland	1,636	1,610	26	1,872	1,842	30
Dallas	966	925	41	1,146	1,099	47
Detroit	1,200	1,181	19	1,384	1,364	20
Los Angeles	2,836	2,790	46	3,358	3,310	48
New York	3,057	3,004	53	3,604	3,546	58
Philadelphia	2,396	2,351	45	2,767	2,725	42
St. Louis	1,454	1,427	27	1,702	1,670	32
San Francisco	1,015	994	21	1,315	1,290	25
Service Centers:.....	(2,565)			(2,754)		
Documentation	481	477	4	609	605	4
Logistic Services	1,125	1,116	9	1,194	1,187	7
Industrial Plant Equip.	490	489	1	495	494	1
Administrative Support	469	424	45	456	410	46
Field Extension Offices:.....	612	595	17	814	783	31
Headquarters:.....	1,177	1,031	146	1,281	1,129	152
TOTAL	56,980	55,851	1,129	65,585	64,448	1,137

<sup>a/</sup> Includes part-time and temporary civilian personnel.

Figure 3.

The DoD Centralized Referral Activity (CRA) located at Dayton, Ohio, was established in March 1965 and is operated by DSA at the Defense Electronics Supply Center. The original purpose of the CRA was to assist in the placement of DoD employees scheduled for involuntary separation due to base closures. By the end of fiscal year 1967, there had been 33,196 registrations in the system, 19,087 placements,

11,318 persons removed from the records due to retirement, resignation, death, etc., and 2,791 remained available for placement.

In March 1967 the CRA system was expanded to include DoD employee oversea returnees. In fiscal year 1967 there were 321 registrations and 52 placements in this category.

Military personnel positions in the Agency continue to be staffed on the basis of balanced Military Service representation at all levels of operation. During the year, DSA participated in the DoD military-civilian substitutability program which resulted in the conversion of 72 military positions to civilian occupancy. Military strength on board by Service, as of 30 June 1967 was: Army 34 percent, Air Force 38 percent, Navy 26 percent, and Marine Corps 2 percent.

With the cooperation of the Military Services, DSA has established an active program for Reserve Mobilization Designees to meet immediate officer requirements in the event of mobilization. A total of 582 officer spaces have been authorized to DSA by the Services as follows: Army 232, Air Force 210, and Navy 140.

## COST REDUCTION PROGRAM

The Cost Reduction Program began in 1962, and the establishment of DSA was in itself a cost reduction action, accounting for validated savings of \$30.4 million annually. In four successive years greater economies were reported by DSA, culminating in a report of direct cost reductions totaling \$198 million in fiscal year 1966.

For fiscal year 1967, the Secretary of Defense directed a substantial change in the program, discontinuing reports of carry-over savings from prior years and abandonment of the 1961 Base Year. Hereafter, current year savings were limited to those which resulted from new, improved, or intensified management actions taken in the current year. Follow-on savings to be realized during the two succeeding years were to be projected, and validated, along with current year savings. More restrictive reporting criteria accompanied this directive, and under the new procedures DSA was assigned a current year goal of \$31 million for fiscal year 1967, and a total of \$51 million including follow-on savings for the three-year period.

During fiscal year 1967 DSA accomplished validated cost reductions totaling \$33.6 million, slightly exceeding its goal. Savings were reported in a total of eight areas. The largest savings were reported in the value engineering area, which accounted for \$14 million. The second largest area was in operating expenses, and contributed \$10.2 million. Follow-on

savings to be realized in future years were approved at \$14.0 million each in fiscal years 1968 and 1969, so the validated three-year total was \$61.0 million or 119 percent of the three-year goal.

Indirect contributions also resulted from DSA activity in administering Defense-wide programs and performing Defense-wide services, such as materiel interservicing, and industrial plant equipment reutilization. These efforts were reflected in savings accruing to, and reported by, the military departments.

## SUPPLY EFFECTIVENESS

A uniform procedure for the measurement of supply effectiveness was one of DSA's earliest management objectives, and was implemented in November 1962. As noted earlier in this report, the first steps have been taken toward the implementation of MILSTEP, which will provide a much more extensive measurement of supply performance by centers, depots, and transportation agencies. Current procedures are based upon two key effectiveness indicators.

The first management indicator, stock availability, measures the performance of the centers as inventory managers by the percentage of requisitioned items supplied from available stocks. The net number of requisitions processed by DSA supply centers rose from 19.3 million in fiscal year 1966 to 19.7 million in fiscal 1967, and is expected to decrease to 18.8 million during 1968. Average availability of the system during fiscal 1967 was 86.5 percent, a decrease of 1.3 percentage points from the rate achieved in the previous year, and is expected to increase to an average of 90.5 percent in fiscal year 1968. The anticipated 1968 rate of stock availability is considered to provide a satisfactory level of supply support to the Services.

The second indicator, on-time fill, measures supply system effectiveness by the percentage of stocked items processed for shipment within the time frames specified in the DoD Uniform Materiel Movement and Issue Priority System. During fiscal year 1967, DSA filled 75.3 percent of its shipments on time, or a drop of 4.9 percentage points below the previous year's rate. The rate of on-time fill has increased steadily since December 1966, and is expected to average 79.5 percent in fiscal year 1968. Intensive management effort at all supply centers is expected to result in additional improvements in on-time fill.

Backorders on hand rose from 412,100 in June 1966 to 593,400 in October 1966, but had been reduced to 355,800 by June 1967, and are expected to drop to 340,000 by 30 June 1968.

#### Customer Supply Assistance Program

Customer supply assistance was formalized as a DSA Headquarters Program by DSAR 4000.1, which disestablished the Customer Supply Assistance Offices (CSAOs) as mission elements of Defense Depot Ogden and the Defense Personnel Support Center, and established the Eastern CSAO and Western CSAO as field extension offices of the HQ DSA Directorate of Supply Operations. All Defense Supply Centers were directed to utilize these regional offices as primary supply assistance contacts in direct communications between DSA activities and DSA customers.

During fiscal year 1967, the team of 12 Supply Management Representatives of the Western CSAO provided their services to over 275 installations (Army, Navy, Air Force, Marine Corps, and non-DoD), making almost 600 liaison visits. The 12-man team of the Eastern CSAO visited over 325 bases of military and non-military customers for a total of nearly 650 visits during the year.

When CINCUSARPAC requested DSA to assign a liaison officer to USARV, HQ DSA responded by placing an officer on temporary duty for a period of ninety days. Early in fiscal year 1967 the DSA staff officer detailed to this assignment recommended (with the concurrence of all the Service components in Vietnam) that quarterly DSA visits to Southeast Asia be made in lieu of a permanent assignment to that area. Since that time, routine quarterly liaison to SEA has begun. There are many benefits, both to DSA and to the customer, to be gained from such routine liaison visits to overseas areas. Some of the more important ones are:

- a. Many problems are solved for the customer at the working level before they become inflated into 'Headquarters-to-Headquarters' formal-type actions.
- b. HQ DSA problems can be brought to the customer's operating level where immediate actions are taken to alleviate the situation.
- c. A rapport develops between the DSA Customer Assistance Representative and customer personnel.
- d. The use of an established customer assistance individual in HQ DSA with the mission of servicing a given set of customers frees the rest of the DSA staff from performing routine liaison as an ancillary function.
- e. Repetitive visits by DSA CSAO field personnel let the military customer know that DSA is doing something about supply problems.
- f. Use of a single, knowledgeable individual as a HQ DSA customer representative increases program efficiency.

### SUMMARY

During its six years of existence, DSA has demonstrated the soundness of the concept of integrated management of common supplies and related logistic services in DoD, and that it can be made to work in time of peace or war. The Defense Supply Agency has proven itself to be a respected and accepted part of the military logistic team by its performance in support of our military forces, especially those engaged in the fighting in Southeast Asia.

Table 40

## DEFENSE-WIDE SUPPLY

	Line items centrally procured	Inventory investment (\$ millions)	Annual sales (\$ millions)	Annual obligations (\$ millions)
<u>Clothing and Textiles</u>				
June 30, 1966	22,200	\$ 630.6	\$ 647.7	\$1,182.4
June 30, 1967	23,400	978.2	961.2	1,108.9
<u>Construction Supplies</u>				
June 30, 1966	321,600	217.9	244.7	590.1
June 30, 1967	384,600	405.5	518.2	506.7
<u>Electronic Supplies</u>				
June 30, 1966	524,000	403.9	209.2	218.0
June 30, 1967	605,500	486.2	239.2	260.0
<u>Fuel</u>				
June 30, 1966	---	---	---	(1,302.7) 1/
June 30, 1967	---	---	---	(1,504.3)
<u>General Supplies</u>				
June 30, 1966	99,400	181.3	328.4	476.5
June 30, 1967	104,000	268.6	522.2	618.1
<u>Industrial Supplies</u>				
June 30, 1966	354,400	220.3	186.1	276.9
June 30, 1967	409,400	312.7	255.2	294.6
<u>Medical Supplies</u>				
June 30, 1966	11,400	179.4	164.1	249.3
June 30, 1967	10,800	226.2	213.8	222.8
<u>Subsistence</u>				
June 30, 1966	800	160.8	1,141.8	1,252.5
June 30, 1967	800	218.9	1,266.5	1,298.7
<u>DSA SUPPLY CENTERS TOTAL</u>				
June 30, 1966	1,335,800	\$ 1,994.1	\$ 2,923.2	\$4,245.7
June 30, 1967	1,538,500	2,896.3	3,976.3	4,309.8

1/ The Defense Fuel Supply Center procures coal and bulk petroleum, utilizing the stock funds of the Military Services. It does not own stocks or manage inventories. Fuel figures are not included in the DSA Supply Center totals shown hereon; the fuel figures represent open procurements, rather than obligations.

## MATERIAL UTILIZATION AND DISPOSAL

FY 1967

Table 41

(Millions of Dollars)

	Fiscal Year 1966	Fiscal Year 1967
UTILIZATION WITHIN DEPARTMENT OF DEFENSE		
Wholesale Inter-Service Supply Support	403	434
Intra-Service <u>1/</u>	1,068	726
Inter-Service	388	380
Total	1,859	1,540
OTHER UTILIZATION AND DISPOSAL		
Military Assistance Program	227	319
Utilization by Other Federal Agencies	377	309
Donations	285	231
Sold as Usable Property <u>2/</u>	804	917
Designated for Sale as Scrap	2,614	2,146
Other Dispositions	158	244
Destroyed or Abandoned	115	39
Total	4,580	4,205
TOTAL GROSS UTILIZATION AND DISPOSAL	6,439	5,745
CASH PROCEEDS REALIZED	119	101

1/ Excludes intra-Service transfers of property by property officers.2/ Includes sales of missile property.

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for DSAH-CM  
3 Nov 67

FEDERAL CATALOG SYSTEM

Table 42

FY 1967

	Fiscal Year 1966	Fiscal Year 1967
FEDERAL CATALOG		
Number of Items at Beginning of Year	4,203,203	4,182,916
Number of Items Added	385,103	396,471
Number of Items Deleted	405,395	286,321
Net Change	-20,292	+110,150
Number of Items at End of Year	4,182,916	4,293,066
Department of Defense Items	3,846,086	3,963,692
Other Agency Items	336,830	329,374
	June 30, 1966	June 30, 1967
	NumberPercent	NumberPercent
INTER-SERVICE USE		
Army		
Items in Use	1,160,006	1,173,404
Items Also Used by Other Services	399,16734.4	415,43735.4
Navy		
Items in Use	1,450,494	1,529,680
Items Also Used by Other Services	370,87925.6	407,41426.8
Marine Corps		
Items in Use	265,567	278,270
Items Also Used by Other Services	161,93568.5	187,12368.0
Air Force		
Items in Use	1,646,296	1,711,529
Items Also Used by Other Services	403,22524.8	447,33226.2

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