

The situation may be summarized as follows:

During 1965 and 1966, the U.S. Army, Pacific, replaced data processing equipment used in supply and related transactions at important command depots with large-scale computer systems. Benefits expected to be derived from these computers could not be fully realized, we concluded, because improvements and corrections of supply management problems had not been completed prior to their installation.

Because of many continuing problems, a large percentage of U.S. Army, Pacific, supply transactions cannot be processed routinely by the computers. Transactions must be manually researched, edited, and reprocessed as in the past. The volume of manual handling of supply documents by the Army slows the processing and limits significantly the advantages of a computer system.

These difficulties are due primarily to longstanding problems disclosed in numerous previous reports by this Office. In general, we reported that—

1. Inventory procedures were not adequate to insure accuracy of inventory and warehouse location records.
2. Management practices led to excesses of some supply items and critical shortages of others.

On April 14, 1966, we brought the findings contained in this report to the attention of the Secretary of Defense. We proposed that implementation of the plan to install large-scale computers at command depots be delayed until an effective program had been instituted to correct problems inherent in the supply system.

The Assistant Secretary of the Army (Installations and Logistics), commenting on our draft report, stated on July 7, 1966, that the Army concurred in the findings generally but disagreed with our recommendation. He said that a standard supply system, supported by computers, was essential to correct the problems identified.

The Assistant Secretary has stated also that the Army's objective is to achieve an efficient and automated supply system in the Pacific and that, since the equipment has been installed, withdrawal would be retrogressive, costly, and disruptive of supply operations during a critical period. He advised that the results presently achieved at subordinate command depots indicate that substantial improvement has been made.

On completion of planned improvements, the Assistant Secretary added, inventory control activities and installations in the four Pacific commands will be reassessed and necessary additional improvements initiated.

We agree that computer equipment is essential for effective management of large inventories and great numbers of supply transactions; however, we do not believe that the full benefits of this costly equipment can be realized until the underlying system and data are improved.

Current information shows that Pacific theater supply operations under the new automated system are characterized by problems similar to those discussed in this report: Out-of-stock positions have substantially increased; stock balances and related records are inaccurate; requisition processing is delayed; and numerous errors in customer requisitions continue.