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Defense Logistics Agency Disposition Services as a Supply Source: *A DoD-Wide Opportunity*

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The Defense Logistics Agency Disposition Services (DDS) provide centralized disposal management of excess and surplus military property. An important component of its mission is the *reutilization* of excess equipment within the military services to prevent wasteful purchases within the Department of Defense. This research analyzes the extent to which the U.S. Marine Corps (USMC) is implementing reutilization through DDS as a source of supply. The results and recommendations of this study will enable decision makers within the USMC and the Defense Logistics Agency to address institutional and systemic obstacles to maximize reutilization. Some of the lessons learned herein may be useful to all the military services, resulting in more value from their operations and maintenance budgets through reutilization.



Adopting economical business practices in the Department of Defense (DoD) is a national priority. Media coverage of the federal debt debate in Congress and in the White House focuses much attention on the largest contributors to U.S. federal spending—and the DoD is one of them. A low-hanging fruit readily available for immediate DoD savings is equipment reutilization—the reuse or initial use of excess or surplus property to meet known or anticipated requirements. Reutilization already saves the DoD millions of dollars each year by enabling both internal and intra-Service transfer of excess supplies and equipment, thereby preventing unnecessary purchase of property for which a suitable substitute already exists. However, according to reports from the Government Accountability Office (GAO, 2005a; GAO, 2005b; GAO, 2006) and a Department of Defense Inspector General (DODIG, 2011) audit, the DoD can and should do much more to capitalize upon the economic benefits of reutilization.

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Within the U.S. Marine Corps (USMC), reutilization occurs at the headquarters level via intra-unit transfers of principal end items, and at the unit level through the use of Defense Logistics Agency Disposition Services (DDS) field sites. DDS is typically used by the USMC for requisitions of consumable supply items, repair parts, garrison furniture, clothing, and many other items.

In this study we show that, to prevent excess purchase of supplies and equipment, and to realize significant organizational savings that might release funds to be used in other critical areas, the USMC should expand use of DDS inventory to meet its current and anticipated requirements. The USMC must develop doctrine, standard operating procedures (SOPs), supply techniques, and automated systems with this objective. The USMC supply and logistics community must foster and reinforce the utilization of DDS as truly a first source of supply.

In the following section, we present the concerns raised inside and outside DoD regarding the practices and culture of DoD supply systems. We start by discussing reutilization in the USMC, the information technology (IT) interfaces within DDS and the USMC, and how they enable or hinder the use of DDS as a source of supply. Then, we discuss current attitudes, assumptions, and initiatives by USMC company-grade supply officers (O-2 and O-3) regarding equipment reutilization, as provided in anonymous feedback during the early stage of this study. This is followed by a brief discussion and recommendations for improvement. Although our discussion is focused on data collected from USMC sources, and the lessons herein are specific to the USMC, we believe that similar benefits could also be achieved by other military services.

Prior Concerns

The War on Terror that has driven DoD operations since September 11, 2001, has enjoyed much support from the U.S. Congress in the form of seemingly limitless financial outlays. A report by Vanguard Advisors (Del Mar, 2010) identified a “blank check of sorts” that occurred between 2001 and 2010 for DoD acquisition, bonuses, pay increases, medical care, and morale programs. Because of the warfighting focus during this period, significant efforts to transform DoD business practices and economize within the agency took a back seat to operational requirements.

However, the ongoing U.S. financial crisis that began in 2007 has reminded us of the importance to be good stewards of the taxpayer’s money. In that vein, making the right choices in purchasing and recognizing the savings opportunities that do not compromise our operational requirements remain defense budget imperatives. We believe that reutilization of surplus property is one of these opportunities, as expressed by the GAO and other observers.

GAO Findings

The reutilization of DoD supplies and equipment continues to be a focus of the U.S. Congress (Hast & Warren, 2000; GAO, 2005a). The 2005 report identified \$2.2 billion dollars in “substantial waste and inefficiency” (p. 4) because “new, unused, and excellent condition items were being transferred or donated outside of DoD, sold on the Internet for pennies on the dollar, or destroyed rather than being reutilized” (p. 4). The report also found that the DoD purchased at least \$400 million of

identical commodities in Fiscal Years (FY) 2002 and 2003 instead of reutilizing excess items in like-new conditions available in DDS. GAO identified numerous examples of DoD equipment sales and donation of items that were later requisitioned by the DoD at full acquisition cost. A portion of the report (GAO, 2005a) reads:

We [GAO] requisitioned at no charge a medical instrument chest, two power supplies, and two circuit cards. Although these items had an original DoD acquisition cost of \$55,817, we paid only about \$5 shipping cost to obtain them. (p. 4)

We also purchased at minimal cost, over the Internet at govliquidation.com, tents, boots, gasoline burners (stove/heating units), a medical suction apparatus, and bandages and other medical supply items. Although the total reported acquisition cost for these items was \$12,310, we paid a total of \$1,466 to obtain them—about 12 cents on the dollar, including buyer’s premium, tax, and shipping cost. (pp. 4–5)

Moreover, the report offered 13 recommendations to DoD for improving reutilization, many of which the Defense Logistics Agency (DLA) already had underway or subsequently implemented. These recommendations fell under three major headings: Data Reliability, Physical Control of Property, and Commodity Inventory Systems. All of them are directed to DLA and/or DDS, with the exception of the fifth and sixth recommendations, which are directed at the military services. Table 1 displays the 13 recommendations (GAO, 2005a).

Recommendations 2 and 3 are concerned with data reliability, a problem that we uncovered in our conversations with USMC supply officers. Recommendations 5 and 6 highlighted the importance of the military services “to do their part” to help DDS succeed in their mission. The last three recommendations, focused on excess property in prime condition, would help uncover reutilization opportunities more easily than what is done today, possibly generating even more savings than we discuss in this article. Most important: We were able to observe in 2011 many of the same issues that were raised in the GAO (2005a) report.

TABLE 1. GOVERNMENT ACCOUNTABILITY OFFICE RECOMMENDATIONS EXTRACTED FROM REPORT NO. GAO-05-277 (2005)

| | |
|-----|---|
| 1. | to waive the requirement to verify quantities on turn-ins under exempted conditions |
| 2. | to assure that excess property receipts are verified and processed in an accurate and timely manner |
| 3. | to develop a mechanism for linking prime vendor purchase transactions to National Stock Numbers (NSN) or other unique product identification |
| 4. | to develop written guidance and formal training to assist personnel and military service turn-in generators in the proper assignment of condition codes |
| 5. | to provide accurate excess property turn-in documentation, including proper assignment of condition codes and NSNs based on available guidance [directed to the Services] |
| 6. | to establish appropriate accountability mechanisms, including supervision and monitoring, for assuring the reliability of turn-in documents [directed to the Services] |
| 7. | to review excess property loss reports to identify systemic weaknesses |
| 8. | to resolve identified uncorrected security weaknesses |
| 9. | to identify the appropriate number and liquidation sales locations needed to handle the sales of excess DLA depot property |
| 10. | to inspect liquidation contractor facilities and take immediate action to correct structural impairments and other deficiencies |
| 11. | to consider available options and implement an interim process for identifying turn-ins of excess new, unused, and excellent condition items |
| 12. | to coordinate on the identification of key data elements for identifying excess property that should be reutilized |
| 13. | to include edit controls in Business Systems Modernization (BSM) system design that would reject a purchase transaction or generate an exception report when A-condition excess items are available, but are not selected for reutilization |



A Cultural Analysis

Reusing valuable assets is a practice not as common as desired. To institute it as standard practice, the supply organization must change. With similar concerns, Doane and Spencer (1997) conducted a cultural analysis of the acquisition system within the DoD. Their analysis shed light on how individuals in the DoD resisted process changes, in particular in its acquisition activities. They studied two major Navy and Air Force acquisition programs through the lens of mission and strategy, goals, means, measurement, and correction.

Doane & Spencer (1997) defined culture as:

... a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptations and internal integration, that has worked well enough to be considered valid, therefore, to be taught to new members as a correct way to perceive, think, and feel in relation to those problems. (p. 25)

They found two prominent cultural obstacles to DoD acquisition reform:

- Little incentive for the workforce to change. Most government employees believe there is little competition or threat to their organization's existence. Since the DoD operated without a profit and loss sheet, the workforce did not feel the pressure to meet the bottom line, or the need to take risks.
- The acquisition system is risk-averse. The acquisition system has been quick to penalize employees who make mistakes or take risks (also discussed in Ferrer & Dew, 2010). The workforce is conservative, strict about following rules, and self-preservationists. They are accustomed to routine and ordinary work, and are skeptical of initiatives and major change.

According to the authors, aligning the culture of the organization with the philosophies of acquisition reform is critical to achieve true benefits. However, this is difficult within the DoD because "most incentives and motivations are not apparent for either government or industry" (Doane & Spencer, 1997, p. 84). Industry incentives and motivation seem

to be based on the same profit and loss theories that were present before acquisition reform. Concurrently, the only incentives for government employees are personal pride in their jobs and respect of their peers. However, due to the constant rotation of supervisors within the DoD, change is often difficult to achieve (Doane & Spencer, 1997). So what can be done to transform culture in pursuing better DoD business practices? The researchers recommended leadership that questions old assumptions and can overcome organizational inertia and apprehension.

Additionally, leaders in a changing organization must foster open lines of communication and cooperation among other leaders and the organization's members. They must be accountable for their actions and empower the members of the organization, allowing them to fail and question authority without fear of reprisal. This empowerment will allow for new perspectives that may encourage innovation and generate better business practices (Ferrer & Dew, 2010). Reutilization is a prime example that fits this situation: Given that it is an uncommon practice, the habit of acquiring used assets from DDS—rather than buying them brand new—would require a cultural change. This, in turn, would require the support of civilian and military leaders for a continued period of time until it coalesced into the SOP. However, if the new process is cumbersome, and if no organizational incentives are in place to change a process that is generally accepted, the typical supply professional is unlikely to seize and apply the reutilization opportunity to its full potential.



Analysis of USMC Reutilization Efforts

In this section, we analyze how current USMC reutilization activities compare to the acquisition practices in other military services. By analyzing actual requisitions processed by USMC supply activities in FY 2010 and 2011, we show the potential cost savings that could be achieved by an increased use of DDS as a source of supply.

Potential USMC Cost Savings Through Reutilization

To get a clearer picture of the potential cost savings that the USMC could realize through increased reutilization, we analyzed *all* Marine Corps NSN requisitions inducted during four, 2-week periods throughout FY 2010 and 2011. These requisitions alone do not show the full breadth of total USMC requisitions, and therefore cannot fully capture potential cost savings. We had to remove from our analysis many items that do not have an NSN or are assigned a “local NSN” generated by the supply management unit. Nonetheless, NSN requisitions exemplify the volume of requisition traffic conducted through the USMC’s standard supply system. We chose specific dates to represent each of the seasons of the year to capture a wide breadth of demand patterns. The specific dates of analysis were:

- November 8–22, 2010
- February 14–28, 2011
- April 4–18, 2011
- August 8–22, 2011

We compared the demand for all NSNs over the specified sample periods with on-hand DDS inventory for the same 2-week periods using data retrieved from the DDS Management Information Distribution and Access System. We extrapolated the information to project the cost savings that the USMC could have achieved if it had used on-hand and available DDS inventory, to the maximum extent possible, to fill its requisitions. We conducted this analysis for two sample groups. Group 1 included a cost savings roll-up for NSNs listed only in Supply Condition Code (SCC) A (like-new condition), while Group 2 consisted of a cost savings roll-up for NSNs listed in SCCs B and C (serviceable condition)

TABLE 2. POTENTIAL SAVINGS FOR DDS AS SOURCE OF SUPPLY (SCC A)

| | Nov 8-22, 2010 | Feb 14-28, 2011 | Apr 4-18, 2011 | Aug 8-22, 2011 |
|-------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| Number of unique NSNs | 196 | 193 | 284 | 857 |
| Total Acquisition Value | \$464,329 | \$1,465,013 | \$315,153 | \$1,104,550 |

Sources: DLA, USMC Logistics Command, the authors

Total potential savings for 8-week period: \$3,349,045

Total potential annual savings: \$21,768,793

Table 2 shows the results of our analysis of Group 1, and Table 3 shows the results of our analysis of Group 2, indicating the potential cost savings for each of the four, 2-week periods. We computed the total acquisition value in the tables by multiplying the quantity available at DDS for each unique NSN in the specified period, by the full acquisition price for the NSN. Extrapolating the 8-week data, we estimate a potential USMC annual cost savings of \$21.8 million using SCC A, in addition to \$6.7 million using SCC B items. Extrapolating further, we estimate that the full adoption of condition SCC A and B items from DDS could have provided savings of approximately \$28.5 million for the USMC in FY 2011.

TABLE 3. POTENTIAL SAVINGS FOR DDS AS SOURCE OF SUPPLY (SCC B)

| | Nov 8-22, 2010 | Feb 14-28, 2011 | Apr 4-18, 2011 | Aug 8-22, 2011 |
|-------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| Number of unique NSNs | 66 | 104 | 2 | 143 |
| Total Acquisition Value | \$123,853 | \$194,053 | \$3,080 | \$708,296 |

Sources: DLA, USMC Logistics Command, the authors

Total potential savings for 8-week period: \$1,029,282

Total potential annual savings: \$6,690,333



Example of Potential DLA Disposition Services Use

In the previous section, we used the four sampled periods to describe how USMC requisitions represent a wide variety of supplies and equipment—from inexpensive repair parts to major pieces of equipment—all of which were available within the DDS inventory at no cost. To further isolate potential cost savings that the USMC could have achieved by utilizing DDS, Table 4 provides a snapshot of the two most expensive items (SCC A only) from each of the four sampled periods.

Using the USMC NSN requisition data from the four sampled periods, we compared the total quantities of requisitioned items with the total on-hand quantities available at DDS for the same NSNs, during the same ordering periods. This analysis allowed us to see what types of supplies had the greatest probability of being filled from DDS inventory. Table 5 shows some of the most requested supplies for each of the four sampled periods that were simultaneously available for issue within the DDS inventory. In this small sample, the total value of the requested items was \$216.8 thousand, of which \$188.4 thousand could be supplied by DDS—87 percent of the total. The large number of requisitions and the high level of availability are enough to warrant reutilization. This is especially true when most of these items are SCC A, like-new items.

Sales Through Government Liquidation

At the time of this writing, Government Liquidation (GL) was the privately contracted company used by DLA to sell excess DDS property to the public after the property has undergone the full Reutilization, Transfer and Donation (RTD) screening cycle. Sales are conducted using a Web-based auction format. According to the DLA, sales through GL generated a total of \$31.4 million in FY 2009, and \$29.6 million in FY 2010. We analyzed every sale of NSN items conducted by GL for FY 2010 using a list provided by DLA. We compared this list with the requisitions conducted by the USMC during the four sample periods previously described. Our goal was to identify cases in which the DLA sold supplies and equipment through GL for which the Marine Corps had a valid need in the same fiscal year. We found that 9,909 unique NSNs in SCC A were sold in FY 2010 through GL that were also requisitioned by the USMC during the four sampled periods. Although we could not determine whether these items were available at precisely the same time they were requisitioned, our findings nonetheless show that DLA is selling supplies to the public for which the USMC possesses a valid need and continues to order at full acquisition cost.

TABLE 4. LIST OF MOST EXPENSIVE REQUISITIONS FOR SAMPLE PERIOD (SCC A)

| NSN | Nomenclature | Acquisition Value | Quantity Available | Potential Savings |
|---------------|--------------------------|--------------------------|---------------------------|--------------------------|
| 1010012589638 | Slip Ring, Twelve CH | \$8,023 | 1 | \$8,023 |
| 6230012541666 | Light Set, General Illu. | \$14,048 | 1 | \$14,048 |
| 1385014569129 | MK3MODO | \$193,058 | 1 | \$193,058 |
| 5855015387023 | Pan and Tilt Assembly | \$61,137 | 8 | \$489,096 |
| 2540015464267 | Armor Set, Supplement. | \$27,146 | 2 | \$54,292 |
| 2330011087367 | Trailer, Tank | \$12,955 | 1 | \$12,955 |
| 2530014841419 | Wheel and Tire Assy. | \$23,422 | 2 | \$46,844 |
| 8340014563637 | Lightweight Maint. Encl. | \$16,498 | 1 | \$16,498 |
| TOTAL | | | | \$834,814 |

Sources: DLA, USMC Logistics Command, the authors



TABLE 5. DLA DISPOSITION SERVICES SUPPLY AVAILABILITY FOR USMC REQUISITIONS (SCC A)

| NSN | DDS Inventory | USMC Requisitions | Nomenclature | Unit Price |
|---------------|----------------------|--------------------------|--------------------------------|-------------------|
| 8465011150026 | 235 | 2032 | Canteen, Water | \$5.08 |
| 5660002701510 | 1139 | 1800 | Post, Fence, Metal | \$6.75 |
| 7105009350422 | 1063 | 1238 | Cot, Folding | \$70.06 |
| 8440005437779 | 2300 | 1193 | Socks | \$1.45 |
| 6515015217976 | 1133 | 852 | Tourniquet, Non-pneumatic | \$43.50 |
| 8465008600256 | 7503 | 500 | Cover, Water Canteen | \$5.85 |
| 8465011178699 | 460 | 498 | Bag, Duffel | \$22.90 |
| 5310012349416 | 3598 | 470 | Washer, Flat | \$0.01 |
| 2590015762424 | 329 | 274 | Cutter, Cable, Vehicle Mounted | \$14.28 |
| 1095015216087 | 477 | 263 | Bayonet, Knife | \$116.18 |
| 8465014783009 | 5010 | 240 | Strap, Webbing | \$6.62 |
| 8415012968878 | 424 | 186 | Vest, Tactical Load Carrying | \$48.68 |
| 8460006068366 | 320 | 158 | Kit Bag, Flyer's | \$28.98 |
| 7240000893827 | 74 | 154 | Can, Military | \$18.77 |
| 1005005506573 | 91 | 121 | Case, Small Arms Cleaning Rod | \$6.82 |
| 6220015164926 | 468 | 113 | Light, Marker, Clearance | \$9.63 |
| 6240000802012 | 112 | 96 | Lamp, Incandescent | \$0.25 |

Sources: DLA, USMC Logistics Command, the authors

Comparison of USMC Reutilization With Other DoD Services

Savings from DoD equipment reutilization impacts each DoD Service's Operations and Maintenance (O&M) budget. O&M appropriations traditionally finance those items for which the utility is derived for a short period of time. They usually comprise expenses rather than investments. Examples of costs financed by O&M funds are travel, fuel, expenses of operational military forces, training and education, recruiting, depot maintenance, spare parts, and base operations support. O&M appropriations are normally available for obligation for one fiscal year and are budgeted using the annual funding policy. Equipment reutilization has the potential to save O&M funds that could then be reallocated to other uses.

We define *reutilization rate* as the acquisition value of reutilized equipment as a percentage of O&M funding. Table 6 compares the reutilization rates of each military service from FY 2008 to 2010. The table shows that the USMC had the lowest reutilization rates over the three fiscal years. Although O&M budgets in the other three Services increased between 7.8 percent and 9.6 percent, their reutilization expenses shrank -11.5 percent (Air Force), -27.2 percent (Army), and -33.0 percent (Navy),

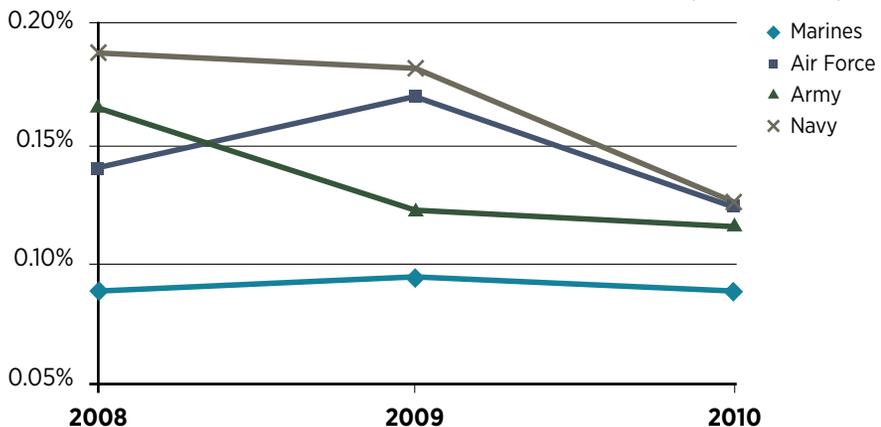
TABLE 6. DoD REUTILIZATION RATES (2008–2010)

| Service | Fiscal Year | Operations & Maintenance Budget | Amount Reutilized | Reutilization Rate |
|----------------|--------------------|--|--------------------------|---------------------------|
| Marines | 2008 | \$9,256,100,000 | \$7,715,701 | 0.083% |
| | 2009 | \$9,757,100,000 | \$9,022,663 | 0.092% |
| | 2010 | \$10,327,300,000 | \$8,608,010 | 0.083% |
| Air Force | 2008 | \$43,490,600,000 | \$61,250,572 | 0.141% |
| | 2009 | \$45,388,500,000 | \$77,291,963 | 0.170% |
| | 2010 | \$46,869,800,000 | \$54,194,481 | 0.116% |
| Army | 2008 | \$82,838,400,000 | \$136,513,483 | 0.165% |
| | 2009 | \$82,877,200,000 | \$104,777,760 | 0.126% |
| | 2010 | \$90,793,300,000 | \$99,352,677 | 0.109% |
| Navy | 2008 | \$39,923,200,000 | \$74,296,155 | 0.186% |
| | 2009 | \$39,847,100,000 | \$73,495,085 | 0.184% |
| | 2010 | \$43,129,600,000 | \$49,757,887 | 0.115% |

Sources: DLA, Office of the Secretary of Defense, the authors

as shown in Figure 1. The Marine Corps was the only Service for which the reutilization expense kept pace with the O&M budget increase. However, the USMC reutilization rate was steady, but it was low compared to other Services. Considering the reutilization opportunity of \$28.5 million, previously estimated, the USMC seizes approximately 30 percent of all excess property that matches its current needs each year. In the following sections, we discuss some reasons why the reutilization rates at the Marine Corps remain low, and offer some recommendations for improvement.

FIGURE 1. EVOLUTION OF REUTILIZATION IN DoD (2008-2010)



Summary of Requisition Analysis

We estimate that the potential annual savings for USMC adoption of DDS as a source of supply is \$28.5 million in FY 2011. This amount represents the full acquisition value of supplies that were on-hand and ready-for-issue within the DDS inventory in the same year that USMC personnel requisitioned them. Rather than these orders being filled from DDS on-hand inventory, they were instead filled with brand new supplies and equipment from standard inventory control points and from prime vendors at full acquisition cost.

In some cases, filling non-DDS orders might be necessary because of the need for expedited delivery. The lead-time for DDS order fulfillment is longer than that of standard order fulfillment. Hence, supplies ordered with Force Activity Designator priority 3 or higher are better serviced from standard inventory control points. In the case of lower priority supplies with no requirement for expedited delivery, the DDS is invariably

the most cost-effective choice for requisition fulfillment. The following sections discuss some of the reasons why reutilization is not being used to its full potential.

Nonintegrated Systems Impair Reutilization

The GAO reported that supply management IT systems at DLA that enable integration are outdated and are not integrated with the supply systems used by the Services (GAO, 2005a). The DLA has IT initiatives underway to correct this deficiency; however, the integration of these efforts with the systems of all military services is critical. The following sections provide more detail on the legacy and emerging IT systems that will be key components in improved reutilization efforts.

USMC Standard Automated Materiel Management System

The legacy automated materiel management system for the Marine Corps is the Supported Activities Supply System (SASSY), which interfaces neither with DLA's Enterprise Business System (EBS) nor with the automated Digital Accessible Information System (DAISY) used by DDS. Instead, USMC supply transactions are first filled, if possible, at the supply management unit. If the unit does not have the item in stock, it passes the requisition to the Marine Corps Logistics Base Automated Information Systems Transaction Router (MAISTR). Such transactions are grouped at each unit and transmitted at the end of the working day. MAISTR then interfaces with the Defense Automated Address System, finally resulting in a requisition at the DLA that is screened by EBS, possibly ordered by the Distribution Standard System (DSS), and finally shipped to the customer. The entire process from requisition to delivery has a wait time of several days, depending upon customer priority and conditioned on item availability.

When the Marine Corps developed SASSY, it was not intended for supply chain integration with other DoD supply systems. Soon, SASSY and other legacy systems will be replaced by Global Combat Support System-Marine Corps (GCSS-MC), currently under implementation—a major DoD acquisition program that is aligned with other Services' Global Combat Support Systems. It seeks to seamlessly integrate with the DLA's inventory and asset visibility systems, providing real-time visibility to USMC customers. However, GCSS-MC does not improve upon SASSY's ability to screen DDS stock since it will not directly interface

with DAISY, the DDS inventory management system. Therefore, the GCSS-MC alone will not be the solution for reutilization efforts. The solution resides in DLA's ability to seamlessly integrate DAISY with its national system (EBS).

DLA Systems

Prior to the GAO's findings on outdated DLA systems in 2005, the DLA had begun an IT transformation effort known as Business Systems Modernization. As part of that effort, EBS was introduced in 2006. DAISY—fielded in 1990—is still in use and unable to communicate directly with the EBS. However, a current DLA initiative known as Reutilization Business Integration will integrate all DSS business processes within the DLA suite of business applications, by moving all data and functions from DAISY into the DLA's DSS and the EBS. Once this occurs, it may be possible to directly source supplies from DDS inventory in fulfillment of requisitions from all military services. The implications for improved reutilization will be profound, provided that DDS can be used as a source of supply with the same credibility and accuracy as current DoD suppliers. Figure 2 shows the current DLA systems construct.

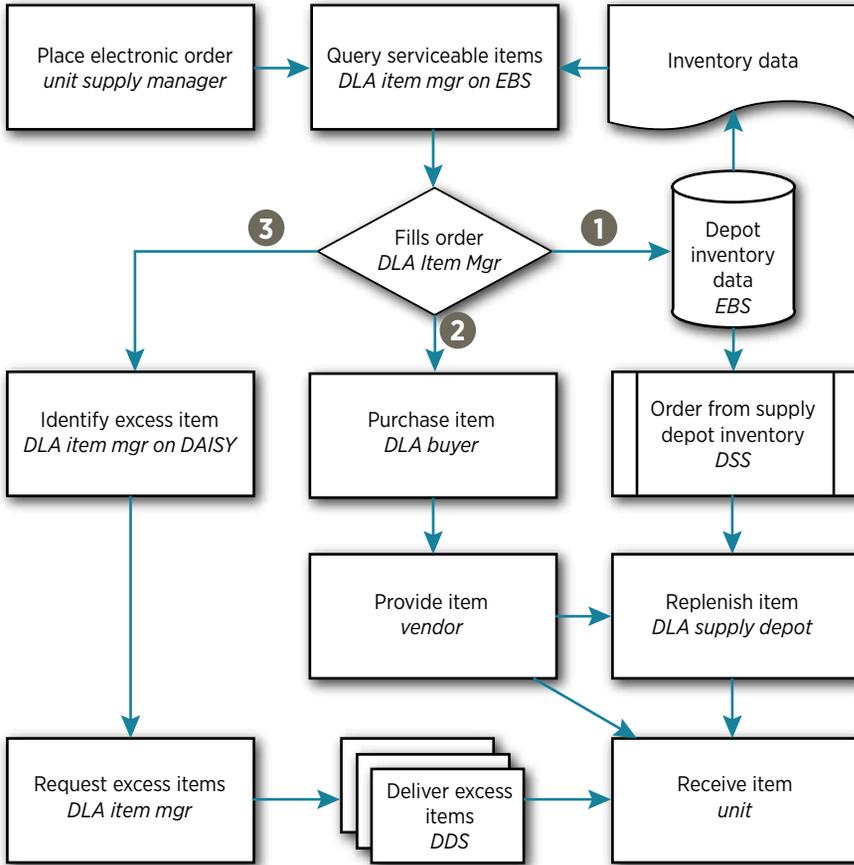
Organizational Climate for Reutilization at USMC

Before we started this study, we sought advice from approximately 300 Marine Corps company-grade supply officers on the types of data and reutilization topics we should explore. We e-mailed them using contact information available at the *Marine Online* personnel management Web site. Our goal was to use their various insights to help steer our research into the most relevant and timely areas. Although this outreach did not constitute a scientific survey or formal interview—responses were voluntary, anonymous, and used solely for background information to review the community's perception on reutilization—we nonetheless received some comments that were useful in our study.

Supply Officer Feedback

A total of 62 supply officers in the grades O-2 and O-3 provided general comments about their experiences using DDS as a source of supply, as well as their usage level and predominant method of DDS requisition. All respondents consented to anonymous citation in this report, summarized as follows.

FIGURE 2. REUTILIZATION USING DEFENSE LOGISTICS AGENCY IT SYSTEMS



Sources: DLA, the authors

Of the 62 respondents, 41 indicated that they had used DDS on at least one occasion to order supplies, while the remainder never used DDS for requisitions. The most common method for requisition was the RTD Web site, followed by a physical walk-in at an installation DDS field site. Most respondents who had used DDS as a source of supply were at least somewhat satisfied with the results, though some mentioned errors in the accuracy of SCC and item identification—a concern previously raised in Report No. GAO 05-277 (GAO, 2005a).

Of the respondents who did not use DDS as a source of supply, the most common reason was the lack of financial incentive to do so. They mentioned that their budgets were sufficiently large to procure new supplies at full cost.

The procedures to turn in excess, damaged, or obsolete property place heavy reliance on the person turning in equipment (known to DDS as the “generator”) to ensure paperwork accuracy. However, the generators have little incentive to ensure 100 percent accuracy because the equipment will no longer be in their custody. DDS employees are often unable to provide a redundant check because of manpower constraints or lack of expertise concerning the property. The end result is that items often enter DAISY with an improper NSN, nomenclature, SCC, or demilitarization code (DLA, 2008).

These inaccurate inventory data were also mentioned in Report No. GAO 05-277 (GAO, 2005a), which cites “unreliable excess property inventory data” as a root cause for “billions of dollars in waste and inefficiency.” According to Kutz’ testimony (DoD Excess Property Systems, 2005), the DLA implemented several changes, including the consolidation of numerous field sites for better property control, changes to their



process, and the installment of a Senior Executive Service director to oversee the organization. However, our research shows that many USMC supply officers remain skeptical of inventory accuracy, based on their experience turning in equipment at a DDS site.

Finally, many supply officers did not use DDS because they were simply unaware of the RTD Web site to screen inventory nationally and internationally. Students at Marine Corps supply schools are trained to use the RTD Web site, but this training should be analyzed for uniformity, rigor, and skills retention. Moreover, occasional refreshers may be necessary. This resonates with GAO Recommendation No. 4 (Table 1). Although DDS does have some resources, they are not sufficient to ensure a broad reutilization of excess property in their possession by the Services that need them.

Discussion

We have shown that some of the reasons for not using DDS are that supply officers are frequently unaware of the benefits of using DDS, that they lack confidence in the DDS supply chain, or that the IT system is inconvenient, hindering frequent utilization. Based on the analysis of equipment reutilization with the USMC, we make some observations regarding the most notable characteristics of current reutilization efforts.

Many USMC supply community leaders are not aware of the breadth and utility of the DDS inventory as a source of supply, assuming most items to be “junk” and therefore ignoring the system. Although supply officers receive training on DDS screening at the Ground Supply Officers Course, this one-time class is not reinforced in the fleet, and may be easily forgotten. For this reason, many supply officers opt to use the standard supply system, the General Services Administration, and open purchases for all orders despite the availability of DDS inventory.

At the same time, USMC supply professionals may consider DDS, but typically do not trust it as a source of supply due to previous experiences with the cumbersome turn-in and reutilization processes or misunderstanding of the DDS fulfillment process; therefore, they ignore the system. Further, DLA and USMC distribution, requisition, and inventory management systems are not integrated, and therefore prohibit seamless requisitions of DDS supplies using the standard USMC supply system.

Consequently, DLA sells supplies and equipment to the public for which the USMC holds an ongoing requirement. The Marine Corps is not maximizing procurement of available DDS on-hand inventory, lagging behind the other Services, and annually forfeiting approximately \$28.4 million in potential cost savings. We present a course of action that, if undertaken, will enable all military services to achieve substantial cost savings.

Recommendations

Until such time that GCSS-MC and DDS are seamlessly linked, the Marine Corps Deputy Commandant, Installations and Logistics, should establish Service policy in orders, directives, and SOP that requires screening available DDS inventory prior to inducting standard supply system requisitions, particularly Class II supplies. It should support these directives with incentives to the supply community to use DDS more frequently. This can be accomplished through performance appraisal and through an awards program for reutilization in conjunction with DLA.

Moreover, the USMC Logistics Command should maximize the untapped potential of the DoD EMALL, which provides on-hand visibility of DDS supplies in SCC A, by enabling USMC requisitions through Military Standard Requisitioning and Issue Procedures. For accountability purposes, such requisitions must be visible to the USMC Standard Accounting Budget and Reporting System.

DLA has a national marketing program to raise awareness for the potential of DDS reutilization for all military services. A key part of this program should be to conduct frequent training visits to supply activities of all Services to educate supply officers on the benefits of working with DLA Disposition Services.

DLA Disposition Services should establish a seamless interface between its automated information system (DAISY) and DLA's enterprise resource planning system (EBS), so that all requisitions placed via GCSS from any Service can be filled, to the maximum extent possible, by DDS on-hand inventory.

Finally, DDS must ensure 100 percent accuracy in inventory management data—most importantly the SCC, NSN, and quantity—so that all deliveries meet customer expectations. This reputation-establishment effort must begin at the property receipt process and continue through the entire reutilization cycle. If necessary, capacity at property receipt points should be overhauled so that DDS employees can effectively manage workload and ensure 100 percent accuracy in inventory management data.

We should not let inertia take control of business decisions. With sound leadership, we can start to pay attention to this opportunity to improve our expenditures and to do more while spending less. Nonetheless, seamless IT integration will be necessary before reutilization becomes common practice.

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