

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**FOLLOW-UP AUDIT OF THE
PALLETIZED LOAD SYSTEM PROGRAM**

Report No. 94-068

March 30, 1994

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Department of Defense

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Acronyms

| | |
|--------|--|
| ASARC | Army Systems Acquisition Review Council |
| CAA | Concepts Analysis Agency |
| GAO | General Accounting Office |
| HEMTT | Heavy Expanded Mobility Tactical Truck |
| MLRS | Multiple Launch Rocket System |
| PLS | Palletized Load System |
| POMCUS | Prepositioned Material Configured to Unit Sets |
| TAA | Total Army Analysis |
| TDA | Tables of Distribution and Allowances |
| TRADOC | Training and Doctrine Command |



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**

March 30, 1994

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND TECHNOLOGY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY**

**SUBJECT: The Follow-up Audit of the Palletized Load System Program
(Report No. 94-068)**

We are providing this final report for your review and comments. Comments on a draft of this report were considered in preparing the final report. We conducted the audit to evaluate the actions that the Army took on recommendations in our prior report on the Palletized Load System.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. To do so, you must provide us with final comments on the report by May 31, 1994. Your comments must indicate concurrence or nonconcurrence with the finding and each recommendation addressed to you. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for the completion of planned actions. If you nonconcur, state your specific reasons for each nonconcurrence. If appropriate, you may propose alternate methods for accomplishing desired improvements. Recommendations are subject to resolution in accordance with DoD Directive 7650.3 in the event of nonconcurrence or failure to comment. We also ask that your comments indicate concurrence or nonconcurrence with the internal control weaknesses highlighted in Part I. The report identifies no potential monetary benefits. However, Appendix F summarizes other benefits of the audit.

The courtesies extended to the audit staff are appreciated. If you have questions on this audit, please contact Mr. Rayburn H. Stricklin, Program Director, at (703) 614-3965 (DSN 224-3965) or Mr. Harvey I. Gates, Acting Project Manager, at (703) 693-0389 (DSN 223-0389). Appendix G lists the distribution of this report.

David K. Steensma

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Deputy Assistant Inspector General
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Office of the Inspector General, DoD

Report No. 94-068
Project No. 3AL-5015

March 30, 1994

**THE FOLLOW-UP AUDIT OF THE
PALLETIZED LOAD SYSTEM PROGRAM**

EXECUTIVE SUMMARY

Introduction. The Palletized Load System (PLS) is a 16.5-ton truck with a trailer and demountable flatracks. The Army developed the PLS to increase the efficiency of its Maneuver Oriented Ammunition Distribution System. With its demountable flatracks, the PLS should enable the Army to move more ammunition with fewer personnel and less equipment.

On October 9, 1991, we issued Audit Report No. 92-003, "Acquisition of the Palletized Load System." That report stated the Army had not accurately quantified the acquisition objectives for the PLS and had not determined the cost-effectiveness of all planned uses of the PLS. As a result, we recommended that the Assistant Secretary of the Army (Research, Development and Acquisition) recalculate the acquisition objectives for the PLS using current-threat and projected-mission data and use the revised objectives to adjust the PLS Program. After initially disagreeing with our recommendations, the Army agreed to recalculate the acquisition objectives for the PLS. Further, as part of the recalculation, the Army agreed to determine the cost-effectiveness of certain planned uses of the PLS.

Objective. The audit objective was to evaluate the actions taken by the Army on the recommendations in our prior audit report on the PLS.

Audit Results. The Army had not taken sufficient corrective actions on the recommendations. More specifically, the Army had not decreased its acquisition objectives for the PLS Program to compensate for reductions in munition movement requirements that were caused by a reduced threat. As a result, we question the necessity of about \$395.3 million of unfunded requirements for PLS equipment.

Internal Controls. We did not assess internal controls over the development of acquisition objectives for the PLS Program because we assessed the controls as part of our initial audit.

Potential Benefits of the Audit. The principal benefits of implementing the recommendations in this report are that unfunded requirements for the PLS Program will be reduced. Appendix F summarizes the potential benefits of the audit.

Summary of Recommendations. We recommended that the Army obtain the expertise necessary to recalculate the acquisition objectives, recalculate the acquisition objectives, determine the cost-effectiveness of planned uses of the PLS, and base the procurement plans for the PLS Program on the results of actions taken on the preceding recommendations. We also recommended that the Conventional Systems Committee convene to evaluate actions the Army takes on recommendations in this report. Additionally, after the Army buys the basic quantities on the multiyear contract, we recommended that the Conventional Systems Committee defer additional procurements of PLS equipment until actions are completed on all recommendations.

Management Comments. Our recommendations were addressed to the Under Secretary of Defense for Acquisition and Technology and the Army Deputy Chief of Staff for Operations and Plans. The Under Secretary did not respond to our draft report. We ask the Under Secretary to comment on the recommendations in response to this report. The Assistant Deputy Chief of Staff for Operations and Plans (Force Development) commented on the recommendations that we addressed to the Army. However, his comments were largely nonresponsive in that he disagreed with all recommendations without specifying his reasons. The complete text of the Assistant Deputy Chief's comments is in Part IV.

On February 23, 1994, we discussed the Army's disagreements with the audit recommendations with representatives of the Army's Deputy Chief of Staff for Operations and Plans. Also, representatives of the Director for Tactical Systems and the Director for Program Analysis and Evaluation in the Office of the Secretary of Defense attended the meeting. As a result of the discussion, the Army's representatives agreed to take alternate actions that would satisfy the intent of the recommendations. We ask that the Deputy Chief state, in his response to this final report, that the Army will take the alternate actions.

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Part I - Introduction

Background

The Palletized Load System (PLS) is a highly mobile, diesel-powered, 16.5-ton truck with all-wheel-drive capability. The PLS, a nondevelopmental item, is an assemblage of commercially proven components that the Army configured to increase the efficiency of its Maneuver Oriented Ammunition Distribution System. For example, the PLS was designed so its cargo can be loaded or reloaded on demountable flatracks in less than 1 minute. That capability should enable the Army to move more ammunition quicker and with fewer personnel and less equipment.

The Army planned to assign the PLS to ordnance, transportation, and field artillery units. For those units and for Prepositioned Material Configured to Unit Sets (POMCUS) and Tables of Distribution and Allowances (TDA), the Army originally determined that it would require 4,129 trucks; 1,954 trailers; and 94,178 flatracks, as shown in Table 1. The Army established those requirements by determining the quantities of PLS equipment needed for a division slice that expended 3,500 short tons of ammunition per day. A division slice is an Army division plus any additional organizational elements assigned to the division.

Table 1. PLS Equipment Required to Move 3,500 Short Tons Each Day

| <u>Organization</u> | <u>Trucks</u> | <u>Trailers</u> | <u>Flatracks</u> |
|---------------------|---------------------|---------------------|----------------------|
| Ordnance | 492 | 492 | 64,896 |
| Transportation | 960 | 960 | 1,920 |
| Artillery | 2,129 | 0 | 2,129 |
| POMCUS/TDA | <u>548</u> | <u>502</u> | <u>25,233</u> |
| Total | <u>4,129</u> | <u>1,954</u> | <u>94,178</u> |

In Audit Report No. 92-003, "Acquisition of the Palletized Load System," October 9, 1991, we questioned the accuracy of the acquisition objectives the Army had established for the PLS, as well as the cost-effectiveness of uses the Army had planned for the PLS. On page 5 of that report, we stated:

The Army had not accurately quantified the acquisition requirements for the Palletized Load System (PLS) program and had not determined the cost-effectiveness of all planned uses of the PLS. The conditions existed, in part, because the Army had not updated the requirements to reflect current world conditions and to recognize that a major weapon system that the PLS was planned to support will be phased out of the Army's inventory. Additionally, the Army had not assessed the cost-effectiveness of using the PLS to support Multiple Launch Rocket System (MLRS) units As a result, the PLS' acquisition requirements were misstated by about \$653.8 million. Also, the Army could unnecessarily spend at least \$279.8 million by using the PLS to support MLRS units.

To correct those conditions, we recommended that the Assistant Secretary of the Army (Research, Development and Acquisition) recalculate the requirements for the PLS using current-threat and projected-mission data and use the revised requirements to adjust the PLS Program. As part of the recalculation, we stated the Army should give proper consideration to deleting from the PLS Program plans to support MLRS and 8-inch howitzer units. We also recommended that the Army Systems Acquisition Review Council (ASARC) review the data stemming from the recalculations and redetermine the size, cost-effectiveness, and affordability of the PLS Program.

The Assistant Secretary initially disagreed with the recommendations. However, on April 13, 1992, the Army's Assistant Deputy Chief of Staff for Operations and Plans (Force Development) agreed to resolve the disputes over the recommendations. In the resolution agreement, the Army agreed to the following actions.

- o Prior to the November 1992 Army Systems Acquisition Review Council's (ASARC) and subsequent full-rate production decision, the Army will revise its PLS requirements based on Total Army Analysis (TAA) 99 and the Combined Arms Center (CAC) ammunition requirements study. Future adjustments to the requirements will be made, when and as appropriate, based on later events.

- o As part of the revision of requirements for the ASARC, the Army will recalculate the requirement for assigning PLS to 8-inch howitzer artillery units. For those units that are still scheduled to be phased out, cost effectiveness will be appropriately considered in the recalculation.

- o Prior to any future decision to assign PLS to MLRS artillery units, the Army will reassess whether that assignment--rather than procurement of new HEMTT trucks--is cost and operationally effective at that time. The reassessment will appropriately consider the amount of the MLRS pods that can be carried by the PLS truck due to pod size.

To partially satisfy its acquisition requirements for the PLS, the Army awarded a multiyear contract to the Oshkosh Truck Company in September 1990. The contract provided for the Army to buy 2,626 trucks; 1,050 trailers; and 11,030 flatracks as the basic quantities under the 5-year contract. Each program year contained a 100 percent option provision against the respective basic quantity for that year.

As of May 27, 1993, the Army had awarded the first 4 program years of the multiyear contract, representing basic quantities of 1,694 trucks; 677 trailers; and 7,113 flatracks. In addition, the Army had exercised the option provisions of the contract to acquire an additional 52 trucks, 21 trailers, and 100 flatracks beyond the basic quantity. On February 28, 1994, the Army awarded the last program year of the contract for the remaining basic quantities of 932 trucks; 373 trailers; and 3,917 flatracks.

Introduction

Objective

Our audit objective was to evaluate the actions taken by the Army on recommendations in our previous audit report on the PLS.

Scope and Methodology

We performed this economy and efficiency audit from March 1993 through September 1993. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, Department of Defense. The scope of our audit involved reviewing documents dated from June 1986 through September 1993. More specifically, we reviewed documentation supporting the Army's current acquisition objectives for the PLS and covering the ASARC's review of the PLS Program in December 1992. Those reviews focused on determining the extent to which the Army considered the specific factors that we found questionable during our last audit of the acquisition objectives for the PLS. We used computer-based data to estimate the extent that the acquisition objectives could be overstated; however, we did not test the reliability of the data. Also, we did not assess the acquisition objectives designated for POMCUS in this audit. The acquisition objectives for POMCUS will be reviewed in other planned audits and reviews. We also interviewed officials in the Army and the Office of the Secretary of Defense who were responsible for acting on our prior recommendations. Appendix G lists the organizations that we visited or contacted.

Internal Controls

We did not assess internal controls over the development of acquisition objectives for the PLS Program because we assessed the controls as part of our initial audit.

Prior Audits and Other Reviews

In the last 5 years, two reports have addressed the acquisition objectives of the PLS: the Inspector General, DoD, Audit Report No. 92-003, October 9, 1991, which we discussed in the Background section of this report, and the General Accounting Office (GAO) Report No. GAO/NSIAD 92-163 (Office of the Secretary of Defense Case No. 8979), "Palletized Load System Acquisition Quantity Overstated," April 22, 1992.

The objectives of GAO's audit were to determine whether the Army reduced the acquisition quantities to reflect force reductions and updated threat assessments and whether the Army appropriately based the acquisition quantities on planned uses for the PLS. The report concluded the acquisition quantities for the PLS were overstated because quantities were formulated based on the outdated Soviet-Warsaw Pact threat. The report also stated that acquisition quantities included inappropriate support for 8-inch howitzer units and for Cadre Divisions. A Cadre Division is a division with the necessary equipment for leaders' training at every organizational level from platoon to division.

The GAO recommended that the Secretary of the Army adjust the acquisition quantities for the PLS to reflect the current threat and eliminate planned support for 8-inch howitzer units and Cadre Divisions. The DoD partially concurred with the recommendation and agreed to consider the recommended actions in updates of the acquisition objectives for the PLS.

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Part II - Finding and Recommendations

Actions Taken on Previous Recommendations

The Army had not taken sufficient corrective actions on the previous recommendations concerning the Palletized Load System (PLS). More specifically, the Army had not decreased its acquisition objectives for the PLS Program to compensate for reductions in munition movement requirements that were caused by a reduced threat. This condition existed because the various Army officials who were responsible for recalculating the acquisition objectives for the PLS were not sufficiently knowledgeable of the process used within the Army to recalculate the acquisition objectives. Also, the Army Systems Acquisition Review Council (ASARC) did not perform an in-depth review of the Army's recalculation of the acquisition objectives. As a result, we question the necessity of \$395.3 million of unfunded requirements for PLS equipment.

Background

Based on the Army's response to the recommendations in our previous audit report on the PLS, the Army needed to take five major actions to accurately quantify the acquisition objectives for the PLS.

- o Recalculate the acquisition objectives using current-threat data.
- o Determine the cost-effectiveness of using the PLS to transport ammunition for MLRS units.
- o Delete from the acquisition objectives requirements for the PLS to support 8-inch howitzer units.
- o Reduce the acquisition objectives if cost-effectiveness determinations show that using the PLS to transport ammunition for MLRS or 8-inch howitzer units would not be cost-effective.
- o Present the revised acquisition objectives to the ASARC in November 1992.

Army's Revised Acquisition Objectives

The Army had recalculated the acquisition objectives for the PLS since our last audit. In total, the recalculations reduced the acquisition objectives by 715 trucks; 254 trailers; and 58,063 flatracks, as shown in Table 2.

Actions Taken on Previous Recommendations

Table 2. Reductions in Acquisition Objectives, 1990 Versus 1992

| <u>Organization</u> | <u>Trucks</u> | | <u>Trailers</u> | | <u>Flatracks</u> | |
|-------------------------|-------------------|--------------|-------------------|-------------|----------------------|---------------|
| | <u>1990</u> | <u>1992</u> | <u>1990</u> | <u>1992</u> | <u>1990</u> | <u>1992</u> |
| Ordnance | 699 | 430 | 636 | 382 | 97,749 | 40,132 |
| Artillery | <u>1,874</u> | <u>1,428</u> | <u>0</u> | <u>0</u> | <u>1,874</u> | <u>1,428</u> |
| Subtotal | <u>2,573</u> | <u>1,858</u> | <u>636</u> | <u>382</u> | <u>99,623</u> | <u>41,560</u> |
| Total Reductions | <u>715</u> | | <u>254</u> | | <u>58,063</u> | |

The Army also increased the acquisition objectives for transportation units and for POMCUS and TDA, as shown in Table 3.

Table 3. Increases in Acquisition Objectives, 1990 Versus 1992

| <u>Organization</u> | <u>Trucks</u> | | <u>Trailers</u> | | <u>Flatracks</u> | |
|------------------------|-------------------|--------------|-------------------|--------------|---------------------|--------------|
| | <u>1990</u> | <u>1992</u> | <u>1990</u> | <u>1992</u> | <u>1990</u> | <u>1992</u> |
| Transportation | 864 | 1,104 | 864 | 1,104 | 1,728 | 2,208 |
| POMCUS/TDA | <u>328</u> | <u>448</u> | <u>88</u> | <u>162</u> | <u>401</u> | <u>2,705</u> |
| Subtotal | <u>1,192</u> | <u>1,552</u> | <u>952</u> | <u>1,266</u> | <u>2,129</u> | <u>4,913</u> |
| Total Increases | <u>360</u> | | <u>314</u> | | <u>2,784</u> | |

In net, the Army reduced its acquisition objectives for the PLS by 355 trucks and 55,279 flatracks and increased its acquisition objectives for trailers by 60.

Audit Evaluation of Revised Acquisition Objectives

Overall, our evaluation of the Army's revised acquisition objectives disclosed that the Army had taken only limited actions on the recommendations in the prior report.

Current-Threat Data. In recalculating the acquisition objectives, the Army did not determine the effects of changes in threat on acquisition objectives for the PLS. To have done so, the Army should have determined whether the

Actions Taken on Previous Recommendations

munitions movement requirements, which the Army originally used to justify the acquisition objectives for the PLS, have increased or decreased based on changes in the threat. Rather than making such a determination, the Army recalculated the new acquisition objectives using arbitrary data that specified the number of PLS units the Army wanted in its force structure.

The Army contended that it had considered the current threat in recalculating the acquisition objectives because it based the recalculations on the results of Total Army Analysis (TAA) 99. However, the Army's contention was misleading. The Army was correct in stating that it used the results of TAA 99 to recalculate the acquisition objectives. However, such use proved to be meaningless because the Army included "Manual Entries" in the automated system that the Army's Concepts Analysis Agency (CAA) used for TAA 99. These manual entries resulted in the automated system not calculating, as part of TAA 99, the amount of PLS equipment required to satisfy the current threat. The automated system was designed not to recommend the number of PLS units required to satisfy the threat when manual entries were entered into the system. Therefore, the Army used the manual entries to load into TAA 99 the amount of PLS equipment that it desired.

To determine the effects of the Army's not updating the munitions movement requirements when it recalculated the acquisition objectives for the PLS, we used a four-step evaluation process.

- o We obtained the quantities of ammunition consumed or expended in the scenarios that the CAA's automated system applied for TAA 99.

- o We considered the quantities of ammunition consumed as munition movement requirements and compared the requirements to the munitions movement requirements that the Army originally used to establish acquisition objectives for the PLS to determine whether the munition movement requirements had increased or decreased.

- o We applied the percentages of change in munitions movement requirements to the original acquisition objectives for the PLS in order to establish audit positions on the acquisition objectives.

- o We compared those audit positions to the revised acquisition objectives that the Army calculated.

Our comparisons disclosed that the total munitions movement requirements stemming from TAA 99 were substantially less than the munitions movement requirements that justified the original acquisition objectives for the PLS. The munition movement requirements supporting the original objectives were for the PLS to provide a division slice with 3,500 short tons of munitions each day in a war with the former Soviet Union and the nations in the Warsaw Pact. The TAA 99 was based on a threat, which provided for the Army to plan for the support of two regional conflicts, one in Southwest Asia and one in Northeast Asia. For the regional conflicts, TAA 99 showed the need for PLSs to provide each division with from 345 to 1,000 short tons of munitions each day, depending on the organization and the regional conflict.

Actions Taken on Previous Recommendations

Using the munitions movement requirements generated by TAA 99, we determined that the munitions movement requirements for ordnance and transportation units had decreased about 71 percent ($[3,500 - 1,000] \div 3,500$) for Southwest Asia and about 81 percent ($[3,500 - 677] \div 3,500$) for Northeast Asia since the acquisition objectives were originally established for the PLS. Also, munitions movement requirements for field artillery units had decreased about 87 percent ($[2,757 - 345] \div 2,757$) for both Southwest Asia and Northeast Asia.

By applying the percentages of decrease to the original acquisition objectives for the PLS, we concluded that the Army's revised acquisition objectives for ordnance, transportation, and field artillery units should have totaled 1,250 trucks; 696 trailers; and 32,626 flatracks, as shown in Appendix A. Further, by comparing our "Audit Positions" (Appendix A) with the Army's revised acquisition objectives, we concluded that the Army overstated its revised acquisition objectives for ordnance, transportation, and field artillery units by as many as 1,955 trucks; 1,033 trailers; and 22,307 flatracks, as shown in Appendix B.

MLRS Support. The Army did not determine the cost-effectiveness of using the PLS to support MLRS units before recalculating the acquisition objectives. In our previous report, we questioned whether the Army's planned use of the PLS to support MLRS units was cost-effective for two reasons. First, the PLS truck costs about \$100,000 (1990 dollars) more than the 10-ton HEMTT, which the Army used to transport MLRS rocket pods in field artillery units. Second, due to the size of the MLRS rocket pods, the PLS truck cannot carry more pods than the HEMTT. In addition, during this audit, we found that the PLS truck cannot carry more pods than the tractor trailers used in transportation units. The PLS truck costs about \$102,000 to \$159,000 more than the military tractor trailer truck and commercial tractor trailer truck, respectively.

Although the Army had not determined the cost-effectiveness of using the PLS to support MLRS units, the Army informed us that it planned not to assign PLS equipment to MLRS units. While such a plan may appear to have alleviated the need for the Army to determine the cost-effectiveness of using the PLS to support MLRS units, that was not the case. The Army still planned to use PLS equipment in ordnance and transportation units to transport MLRS rocket pods to MLRS units. Therefore, the recommended cost-effectiveness determination was still needed.

Since the Army had not determined the cost-effectiveness of using the PLS to support MLRS units, we question the validity of additional portions of the revised acquisition objectives for ordnance and transportation units. Based on the 360 short tons of MLRS munitions movement requirements that TAA 99 showed for Southwest Asia and the 223 short tons for Northeast Asia, we calculated that about 36 percent ($360 \div 1,000$) and 33 percent ($223 \div 677$) of the acquisition objectives that we calculated for ordnance and transportation units, respectively, were for PLS equipment in support of MLRS units. Therefore, we question the validity of an additional 243 trucks; 243 trailers; and 11,165 flatracks that were in the revised acquisition objectives for ordnance and transportation units.

Actions Taken on Previous Recommendations

Eight-Inch Howitzer Support. The Army partially acted on our recommendation not to use the PLS to support 8-inch howitzer units when it reduced the acquisition objectives for PLS equipment planned for 8-inch howitzer units by 555 trucks and 555 flatracks. However, the revised acquisition objectives still provided for 213 trucks and 213 flatracks to support 8-inch howitzer units. We still question the necessity of the Army's plan to support units that will be phased out by the year 2006. This issue is particularly important since the 8-inch howitzer units were not scheduled to receive the PLS until 1997. For those reasons, our Audit Position (Appendix A) did not include any requirements for the PLS to be used to support 8-inch howitzer units.

Another Estimate of Munitions Movement Requirements

During our follow-up audit, we noted that the Army completed TAA 01, which updated the munitions movement requirements for regional conflicts in Northeast Asia and Southwest Asia, based on threat data. We reviewed the results of the TAA 01 to determine whether the analysis quantified munitions movement requirements that would increase or decrease the acquisition objectives that we calculated based on the results of TAA 99.

Results from TAA 01 indicated that the munitions movement requirements would be higher than the daily divisional requirements of 345 to 1,000 short tons calculated by TAA 99. However, the requirements still were substantially less than the 3,500 short tons per day for each division slice that the Army used to calculate the original acquisition objectives for the PLS. The TAA 01 indicated that the munitions movement requirements would range from 357 to 1,295 short tons each day for each division, depending on the organization and regional conflict.

Using the munitions movement requirements generated by TAA 01, we determined the munitions movement requirements for ordnance and transportation units had decreased about 63 percent $([3,500 - 1,295] \div 3,500)$ for Northeast Asia and about 71 percent $([3,500 - 1,019] \div 3,500)$ for Southwest Asia, since the acquisition objectives were originally established for the PLS. Also, munitions movement requirements for field artillery units had decreased by about 76 percent $([2,757 - 660] \div 2,757)$ for Northeast Asia and about 87 percent $([2,757 - 357] \div 2,757)$ for Southwest Asia.

By applying the percentages of decrease to the original acquisition objectives for the PLS, we concluded that the Army's revised acquisition objectives for ordnance, transportation, and field artillery units should have totaled 1,417 trucks; 629 trailers; and 29,753 flatracks, as shown in Appendix C. Further, by comparing our "Audit Positions" (Appendix C) with the Army's revised acquisition objectives, we concluded that the Army overstated its revised acquisition objectives for ordnance, transportation, and field artillery units by as much as 1,545 trucks; 857 trailers; and 14,015 flatracks, as shown in Appendix D.

Causes for Actions by the Army

We believe the primary reason for insufficient actions on our recommendations was a lack of understanding, on the part of Army officials, of the process that the Army used to recalculate the acquisition objectives for the PLS Program. During meetings with officials to discuss the results of this follow-up audit, we observed the following indications of their lack of understanding of the process.

- o The officials were not aware of the effects of manual entries in the automated system that the CAA used to conduct TAA 99. As discussed, the officials thought that the acquisition objectives were accurate since they stemmed from TAA 99.

- o The officials were not aware that the TAA did not recalculate the acquisition objectives for PLS required in field artillery units. The acquisition objectives for PLS in field artillery units were determined based on the number of field artillery units planned in the force structure, not on the amount of munition movement requirements calculated by the TAA process.

- o We held three meetings with representatives of the Army's Assistant Deputy Chief of Staff for Operations and Plans (Force Development) before we could convince them that TAA 99 and TAA 01 showed that munitions movement requirements for the PLS Program had decreased. Multiple meetings were necessary because Army officials repeatedly misinterpreted munitions movement requirements in TAA 01.

- o Even after acknowledging that the munitions movement requirements in TAA 01 were between 63 and 87 percent less than the munitions movement requirements that the Army used to originally establish the acquisition objectives for the PLS Program, the officials still refused to concede that the acquisition objectives could be overstated.

Another contributing factor was insufficient action on the part of the ASARC. We reviewed documentation on the December 1992 review by the ASARC of the PLS Program and determined that no identifiable portion of that review dealt with the revised acquisition objectives other than in an affordability assessment provided by the Office of the Deputy Chief of Staff for Operations and Plans. The ASARC relied too heavily on input from the Deputy Chief's staff on the acquisition objectives rather than questioning whether the objectives were fully justified based on the current-threat and cost-effectiveness data.

Effects of Army's Actions

The insufficient actions on our recommendations could result in the Army acquiring unnecessary PLS trucks and trailers. According to the Army's acquisition objectives for the PLS Program, the Army needed a total of 3,410 trucks; 1,648 trailers; and 46,473 flatracks. However, based on the

Actions Taken on Previous Recommendations

munitions movement requirements in TAA99 and TAA 01 (Appendixes B and D), the Army needed only 1,865 trucks; 791 trailers; and 32,458 flatracks. Therefore, the necessity of the Army acquiring 1,545 trucks; 857 trailers; and 14,015 flatracks was questionable.

Since large quantities of the acquisition objectives for trucks and trailers were questionable, we recommended in a draft of this report that the Army not proceed with its pending buy on the last program year of a multiyear contract without first recalculating the acquisition objectives. However, on February 23, 1994, the Army provided information that indicated minimal cost risk was associated with the Army acquiring the PLS trucks and PLS trailers provided for in the last program year of the multiyear contract.

Even after buying 2,678 trucks, 1,071 trailers, and 11,130 flatracks on the multiyear contract, the acquisition objectives for the PLS Program showed that the Army still needed to buy additional PLS equipment. The acquisition objectives provided for 3,410 trucks, 1,648 trailers, and 46,473 flatracks. As such, the Army needed 732 more trucks, 577 more trailers, and 35,343 flatracks.

To avoid buying unnecessary PLS equipment, we believe the Army needs to take several actions, including a recalculation of the acquisition objectives for the PLS Program. The recalculation is needed because our audit positions showed that the needs for the 732 trucks, 577 trailers, and 14,015 of the 35,343 flatracks remaining in the acquisition objective were questionable. The 732 trucks, 577 trailers, and 14,015 flatracks were expected to cost \$395.3 million.

Additionally, since the ASARC did not evaluate actions that the Army took on our previous recommendations, we believe the Conventional Systems Committee needs to evaluate the actions that we recommend in this report. We believe the Conventional Systems Committee's evaluation of the actions is critically needed because representatives of the Office of the Army's Assistant Deputy Chief of Staff for Operations and Plans (Force Development) continued to maintain that the acquisition objectives for the PLS were not overstated.

Recommendations for Corrective Action, Management Comments, and Audit Responses

1. We recommend that the Army Deputy Chief of Staff for Operations and Plans:

a. Obtain from the Army's Training and Doctrine Command and the Concept Analysis Agency the expertise necessary to assure that the acquisition objectives for Palletized Load System equipment in support of ordnance, transportation, and field artillery units are accurately recalculated.

Actions Taken on Previous Recommendations

b. Recalculate the acquisition objectives for the Palletized Load System using current-threat data.

c. Make a cost analysis to determine whether using the Palletized Load System to support Multiple Launch Rocket System and 8-inch howitzer units is cost-effective before including those requirements in the acquisition objectives.

d. Adjust planned procurements of Palletized Load System equipment based on the results of actions taken on Recommendations 1.a. through 1.c.

Army Comments. The Assistant Deputy Chief of Staff for Operations and Plans (Force Development) did not agree with Recommendations 1.a. through 1.d. Summaries of his comments on the recommendations are provided below. The full text of his comments is in Part IV.

o On Recommendation 1.a., the Assistant Deputy Chief stated that the Army has used and will continue to use the Training and Doctrine Command (TRADOC) and the CAA to determine its requirements for the PLS. He stated that TRADOC helps formulate allocation rules used to determine aggregate force structure requirements, and the CAA converts the Defense Guidance in an operational model that projects the Army's force requirements.

o On Recommendation 1.b., the Assistant Deputy Chief stated that the Palletized Load System is not a threat-based system. He maintained that the Army calculated its requirements for the PLS using TAAs 99 and 01. He also stated the next TAA would be TAA 03, which was in process. The Assistant Deputy Chief also contended that the world is changing rapidly, and the Army would continuously adjust its requirements to keep pace with those changes. As evidence of such adjustments, the Assistant Deputy Chief stated that the Deputy Chief of Staff for Operations and Plans canceled funding for the Army to buy 755 trucks on a contractual option in FY 1995. The Assistant Deputy Chief stated that the Army used the latest threat information and designed its force based on the most recent Defense guidance.

o On Recommendation 1.c., the Assistant Deputy Chief stated that no PLS equipment is assigned or authorized in MLRS units. He also stated that on November 16, 1993, the Army eliminated the 8-inch howitzer from the force; and the Army deleted requirements for the PLS to be assigned to 8-inch howitzer units. The Assistant Deputy Chief further stated that preliminary analysis indicates that it would cost the Army \$2.7 million more per unit to use the PLS in transportation units in support of MLRS units.

o On Recommendation 1.d., the Assistant Deputy Chief stated that the Army has no need to adjust the planned procurements of PLS. He maintained that the requirements for PLS were valid and that the requirements exceed planned procurements.

Actions Taken on Previous Recommendations

Audit Response. On February 23, 1994, we discussed the Army's disagreements with the audit recommendations with representatives of the Army's Deputy Chief of Staff for Operations and Plans. Also, representatives of the Director for Tactical Systems and the Director for Program Analysis and Evaluation in the Office of the Secretary of Defense attended the meeting. As a result of the discussion, the Army's representatives agreed to take alternate actions that would satisfy the intent of the recommendations. We ask that the Deputy Chief state, in his response to this final report, that the Army will take the alternate actions. For the record, Appendix E provides detailed audit responses to the Army comments on the recommendations.

2. We recommend that the Under Secretary of Defense for Acquisition and Technology:

a. Convene the Conventional Systems Committee and determine whether the Army took proper and complete actions on Recommendations 1.a. through 1.d.

b. Defer (after acquiring the basic quantities on the multiyear contract) additional buys of Palletized Load System trucks and trailers until actions on Recommendations 1.a. through 2.a. have been completed.

Office of the Secretary of Defense Comments. The Under Secretary of Defense for Acquisition and Technology had not provided comments on Recommendations 2.a. and 2.b. when we finalized this report.

Audit Response. Although the Under Secretary did not comment to Recommendations 2.a. and 2.b., members of his office contributed greatly to resolving the disagreements between the Army and us on Recommendations 1.a. through 1.d. Specifically, the Deputy Director for Land Forces and members of his staff arranged for us to meet the Army's representatives to resolve the disagreements. Also, they arranged for representatives of the Director for Program Analysis and Evaluation to evaluate the basis for our recommendations and the Army's basis for disagreeing with the recommendations.

Based on information that the Army presented during our meeting on February 23, 1994, we revised Recommendation 2.b. that was in our draft report. The recommendation in the draft report provided for the Army to defer further procurements (including the last program year of a multiyear contract) of the PLS until actions are completed on Recommendations 1.a. through 2.a. During our meeting on February 23, 1994, the Army provided information that indicated minimal cost risk was associated with the Army's acquiring the PLS equipment provided for in the last year of the multiyear contract. Therefore, we revised the recommendation to state that the Under Secretary defer (after the Army buys the basic quantities on the multiyear contract) additional buys of Palletized Load System trucks, trailers, and flatracks until actions on Recommendations 1.a. through 2.a. have been completed.

We request that the Under Secretary provide comments on Recommendations 2.a. and 2.b. in response to this report.

Part III - Additional Information

Appendix A. Audit Positions on Acquisition Objectives (Total Army Analysis 99)

| <u>Organization</u> | <u>Original Objective</u> | <u>Percentage of Reduction</u> | | <u>Audit Position</u> | | |
|-------------------------|---------------------------|--------------------------------|-------------------------|-----------------------|----------------|--------------|
| | | <u>SWA</u> ¹ | <u>NEA</u> ² | <u>SWA</u> | <u>NEA</u> | <u>Total</u> |
| Ordnance | | | | | | |
| Trucks | 492 | 71 | 81 | 143 | 93 | 236 |
| Trailers | 492 | 71 | 81 | 143 | 93 | 236 |
| Flatracks | 64,896 | 71 | 81 | 18,820 | 12,330 | 31,150 |
| Transportation | | | | | | |
| Trucks | 960 | 71 | 81 | 278 | 182 | 460 |
| Trailers | 960 | 71 | 81 | 278 | 182 | 460 |
| Flatracks | 1,920 | 71 | 81 | 557 | 365 | 922 |
| Artillery | | | | | | |
| Trucks | 2,129 | 87 | 87 | 277 | 277 | 554 |
| Trailers | 0 | 0 | 0 | 0 | 0 | 0 |
| Flatracks | 2,129 | 87 | 87 | 277 | 277 | 554 |
| Subtotals | | | | | | |
| Trucks | 3,581 | -- | -- | 698 | 552 | 1,250 |
| Trailers | 1,452 | -- | -- | 421 | 275 | 696 |
| Flatracks | 68,945 | -- | -- | 19,654 | 12,972 | 32,626 |
| MLRS Adjustments | | | | | | |
| Trucks | -- | -- | -- | (152) | (91) | (243) |
| Trailers | -- | -- | -- | (152) | (91) | (243) |
| Flatracks | -- | -- | -- | (6,976) | (4,189) | (11,165) |
| POMCUS/TDA | | | | | | |
| Trucks | 548 | -- | -- | 448 ³ | 0 ⁴ | 448 |
| Trailers | 502 | -- | -- | 162 ³ | 0 ⁴ | 162 |
| Flatracks | 25,233 | -- | -- | 2,705 ³ | 0 ⁴ | 2,705 |
| Totals | | | | | | |
| Trucks | 4,129 | -- | -- | 994 | 461 | 1,455 |
| Trailers | 1,954 | -- | -- | 431 | 184 | 615 |
| Flatracks | 94,178 | -- | -- | 15,383 | 8,783 | 24,166 |

¹Southwest Asia.

²Northeast Asia.

³The Army subsequently decreased the acquisition objectives for POMCUS/TDA.

⁴Included in SWA.

Appendix B. Overstatements in Army's Revised Acquisition Objectives (Total Army Analysis 99)

| <u>Organization</u> | <u>Revised Acquisition Objective</u> | <u>Audit Position</u> | <u>Over-statement</u> |
|-------------------------|--------------------------------------|-----------------------|-----------------------|
| Ordnance | | | |
| Trucks | 430 | 236 | 194 |
| Trailers | 382 | 236 | 146 |
| Flatracks | 40,132 | 31,150 | 8,982 |
| Transportation | | | |
| Trucks | 1,104 | 460 | 644 |
| Trailers | 1,104 | 460 | 644 |
| Flatracks | 2,208 | 922 | 1,286 |
| Artillery | | | |
| Trucks | 1,428 | 554 | 874 |
| Trailers | 0 | 0 | 0 |
| Flatracks | 1,428 | 554 | 874 |
| Subtotals | | | |
| Trucks | 2,962 | 1,250 | 1,712 |
| Trailers | 1,486 | 696 | 790 |
| Flatracks | 43,768 | 32,626 | 11,142 |
| MLRS Adjustments | | | |
| Trucks | -- | (243) | 243 |
| Trailers | -- | (243) | 243 |
| Flatracks | -- | (11,165) | 11,165 |
| POMCUS/TDA | | | |
| Trucks | 448 | 448 | 0 |
| Trailers | 162 | 162 | 0 |
| Flatracks | 2,705 | 2,705 | 0 |
| Totals | | | |
| Trucks | 3,410 | 1,455 | 1,955 |
| Trailers | 1,648 | 615 | 1,033 |
| Flatracks | 46,473 | 24,166 | 22,307 |

Appendix C. Audit Positions on Acquisition Objectives (Total Army Analysis 01)

| <u>Organization</u> | <u>Original Objective</u> | <u>Percentage of Reduction</u> | | <u>Audit Position</u> | | |
|-------------------------|---------------------------|--------------------------------|-------------------------|-----------------------|----------------|--------------|
| | | <u>NEA</u> ¹ | <u>SWA</u> ² | <u>NEA</u> | <u>SWA</u> | <u>Total</u> |
| Ordnance | | | | | | |
| Trucks | 492 | 63 | 71 | 182 | 143 | 325 |
| Trailers | 492 | 63 | 71 | 182 | 143 | 325 |
| Flatracks | 64,896 | 63 | 71 | 24,012 | 18,820 | 42,832 |
| Transportation | | | | | | |
| Trucks | 960 | 63 | 71 | 355 | 278 | 633 |
| Trailers | 960 | 63 | 71 | 355 | 278 | 633 |
| Flatracks | 1,920 | 63 | 71 | 710 | 557 | 1,267 |
| Artillery | | | | | | |
| Trucks | 2,129 | 76 | 87 | 511 | 277 | 788 |
| Trailers | 0 | 0 | 0 | 0 | 0 | 0 |
| Flatracks | 2,129 | 76 | 87 | 511 | 277 | 788 |
| MLRS Adjustments | | | | | | |
| Trucks | -- | -- | -- | (177) | (152) | (329) |
| Trailers | -- | -- | -- | (177) | (152) | (329) |
| Flatracks | -- | -- | -- | (8,158) | (6,976) | (15,134) |
| Subtotals | | | | | | |
| Trucks | 3,581 | -- | -- | 871 | 546 | 1,417 |
| Trailers | 1,452 | -- | -- | 360 | 269 | 629 |
| Flatracks | 68,945 | -- | -- | 17,075 | 12,678 | 29,753 |
| POMCUS/TDA | | | | | | |
| Trucks | 548 | -- | -- | 448 ³ | 0 ⁴ | 448 |
| Trailers | 502 | -- | -- | 162 ³ | 0 ⁴ | 162 |
| Flatracks | 25,233 | -- | -- | 2,705 ³ | 0 ⁴ | 2,705 |
| Totals | | | | | | |
| Trucks | 4,129 | -- | -- | 1,319 | 546 | 1,865 |
| Trailers | 1,954 | -- | -- | 522 | 269 | 791 |
| Flatracks | 94,178 | -- | -- | 19,780 | 12,678 | 32,458 |

¹Northeast Asia.

²Southwest Asia.

³The Army subsequently decreased the acquisition objectives for POMCUS/TDA.

⁴Included in NEA.

Appendix D. Overstatements in Army's Revised Acquisition Objectives (Total Army Analysis 01)

| <u>Organization</u> | <u>Revised Acquisition Objective</u> | <u>Audit Position</u> | <u>Over-statement</u> |
|---------------------|--------------------------------------|-----------------------|-----------------------|
| Ordnance | | | |
| Trucks | 430 | 325 | 105 |
| Trailers | 382 | 325 | 57 |
| Flatracks | 40,132 | 42,832 | (2,700) |
| Transportation | | | |
| Trucks | 1,104 | 633 | 471 |
| Trailers | 1,104 | 633 | 471 |
| Flatracks | 2,208 | 1,267 | 941 |
| Artillery | | | |
| Trucks | 1,428 | 788 | 640 |
| Trailers | 0 | 0 | 0 |
| Flatracks | 1,428 | 788 | 640 |
| MLRS Adjustments | | | |
| Trucks | -- | (329) | 329 |
| Trailers | -- | (329) | 329 |
| Flatracks | -- | (15,134) | 15,134 |
| Subtotals | | | |
| Trucks | 2,962 | 1,417 | 1,545 |
| Trailers | 1,486 | 629 | 857 |
| Flatracks | 43,768 | 29,753 | 14,015 |
| POMCUS/TDA | | | |
| Trucks | 448 | 448 | 0 |
| Trailers | 162 | 162 | 0 |
| Flatracks | 2,705 | 2,705 | 0 |
| Totals | | | |
| Trucks | 3,410 | 1,865 | 1,545 |
| Trailers | 1,648 | 791 | 857 |
| Flatracks | 46,473 | 32,458 | 14,015 |

Appendix E. Audit Responses to Army's Comments on Recommendations in a Draft of This Report

Recommendation 1.a. The Army's Assistant Deputy Chief's of Staff for Operations and Plans (Force Development) comments were nonresponsive. The comments addressed the use of TRADOC and the CAA in the requirements determination process. The Assistant Deputy Chief did not address how the Army would use the expertise of the two organizations to assure the accuracy of the acquisition objectives for the PLS. Such assurance is needed because of the erroneous conditions cited for the acquisition objectives.

Recommendation 1.b. The Assistant Deputy Chief's comments repeated information in the draft report on how the Army calculated its acquisition objectives for the PLS. The comments did not address the basis for the recommendation to recalculate the acquisition objective for the PLS using current threat data. Also, the comments were inconsistent. The initial comment was that the PLS "is not a threat based system." The closing comments was that the "Army uses the latest threat information and designs its force based on the most recent Defense Guidance." Also, the comments indicate a lack of understanding of the basis of munition movement requirements supporting the acquisition objectives for the PLS. The TAA process determines munition movement requirements based on threat data.

Recommendation 1.c. The Assistant Deputy Chief's comment on PLS equipment for 8-inch howitzer units was responsive. However, the Assistant Deputy Chief's comments on PLS equipment assigned or authorized in MLRS units were irrelevant. The audit did not identify any acquisition objectives for PLS equipment that would be used in MLRS units. As for the comments on the cost-effectiveness of using the PLS in transportation units to support MLRS units, the Army agreed during a meeting on February 23, 1994, to perform an analysis to determine whether it will be cost-effective to use the PLS for such a purpose.

Recommendation 1.d. We disagree with the Assistant Deputy Chief's comments because we have provided specific facts that render the validity of a portion of the acquisition objectives for the PLS questionable.

Appendix F. Summary of Potential Benefits Resulting From Audit

| Recommendation References | Description of Benefit | Amount and/or Type of Benefit |
|------------------------------|--|---|
| 1.a. | Economy and Efficiency. Will provide the Army the expertise it needs to accurately recalculate acquisition objectives for the PLS Program. | Nonmonetary. |
| 1.b. | Economy and Efficiency. Will correct erroneous acquisition objectives for the Palletized Load System (PLS) Program. | Nonmonetary. |
| 1.c. | Economy and Efficiency. Will prevent inefficient uses of the PLS. | Monetary. We claimed potential monetary benefits on this recommendation in our prior audit report on the PLS Program. |
| 1.d. | Economy and Efficiency. Will reduce acquisition objectives of the PLS to quantities justified. | Nonmonetary.* |

* We are not claiming monetary benefits that will be reported and tracked through the Inspector General's Semiannual Report to Congress. Implementation of the recommendation will eliminate \$395.3 million of unfunded requirements in the PLS Program.

Appendix F. Summary of Potential Benefits Resulting From Audit

| Recommendation Reference | Description of Benefit | Amount and/or Type of Benefit |
|---------------------------------|---|--------------------------------------|
| 2.a. | Program Results. Will evaluate the Army's actions on Recommendations 1.a. through 1.d. | Nonmonetary. |
| 2.b. | Economy and Efficiency. Will preclude further buys of PLS equipment until recommendations in this report are implemented. | Nonmonetary. |

Appendix G. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Under Secretary of Defense for Acquisition and Technology,
Washington, DC

Department of the Army

Office of the Assistant Secretary of the Army (Research, Development and
Acquisition), Washington, DC
Office of the Deputy Chief of Staff for Operations and Plans, Washington, DC
Army Training and Doctrine Command, Fort Monroe, VA
Army Combined Arms Center, Fort Leavenworth, KS
Army Field Artillery School, Fort Sill, OK
Army Ordnance, Missiles and Munitions Center and School, Redstone
Arsenal, AL
Army Transportation School, Fort Eustis, VA
Army Tank-Automotive Command, Warren, MI
Army Cost and Economic Analysis Center, Alexandria, VA
Army Concepts Analysis Agency, Bethesda, MD

Appendix H. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Assistant Secretary of Defense (Public Affairs)

Department of the Army

Assistant Secretary of the Army (Research, Development and Acquisition)
Deputy Chief of Staff for Operations and Plans
Commander, Army Training and Doctrine Command
 Director, Army Combined Arms Center
 Director, Army Field Artillery School
 Director, Army Ordnance, Missile and Munitions Center and School
 Director, Army Transportation School
Commander, Army Tank-Automotive Command
Auditor General, Department of the Army

Non-Defense Organizations

Office of Management and Budget
U.S. General Accounting Office, National Security and International Affairs Division,
 Technical Information Center

Chairman and Ranking Minority Member of Each of the Following Congressional
Committees and Subcommittees:


Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on
 Government Operations

Part IV - Management Comments


Department of the Army Comments

Final Report
Reference

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DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS
WASHINGTON, DC 20310-0400



REPLY TO
ATTENTION OF
DAMO-FDL

29 NOV 1993

MEMORANDUM THRU ~~DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS~~
~~DIRECTOR, ARMY STAFF~~ *CEO 3/12/95*
~~ASSISTANT SECRETARY OF THE ARMY (RD&A)~~ *12 Dec 93*

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE (AUDITING)

SUBJECT Draft Audit Report on the Follow-up Audit of the Palletized Load System Program (Project No 3AL-5015), - - INFORMATION MEMORANDUM

1 The following is provided in response to the draft audit report at TAB A. Each finding, recommendation or estimated monetary benefit is addressed.

2 a Recommendation 1a "We recommend that the Army Deputy Chief of Staff for Operations and Plans recalculate the acquisition objectives for the Palletized Load System using current-threat data."

b The Army does not agree with this recommendation. The Palletized Load System (PLS) is not a threat based system. Requirements for Army equipment are calculated using the latest Defense Guidance. The requirements for PLS were calculated using Total Army Analysis (TAA) 99 and 01. The next TAA will be TAA 03 which is in process. Rapid changes are taking place in the world and the Army. The Army is continuously adjusting requirements to keep pace with that change. The requirements as presented at the ASARC on 14 December 1992 were 3,410 trucks, 1,648 trailers and 46,473 flatracks. The current estimate of requirements is 2,956 trucks, 1,473 trailers and 50,812 flatracks. The total PLS program for procurement is 2,691 trucks, 1,311 trailers and 13,500 flatracks. In all cases the procurement of trucks, trailers and flatracks is substantially below the requirement. In decisions prior to the ASARC, the Deputy Chief of Staff for Operations and Plans prudently canceled funding support for procurement of the FY 95 option for procurement of 755 trucks in anticipation of force changes. The Army uses the latest threat information and designs its force based on the most recent Defense Guidance.

3 a Recommendation 1b "We recommend that the Army Deputy Chief of Staff for Operations and Plans obtain from the Army's Training and Doctrine Command and the Concept Analysis Agency the expertise necessary to assure

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Recommendation 1.b.

Recommendation 1.a.

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SUBJECT Draft Audit Report on the Follow-up Audit of the Palletized Load System Program (Project No 3AL-5015) - - INFORMATION MEMORANDUM

that the acquisition objectives for the Palletized Load System equipment in support of ordnance, transportation, and field artillery units are accurately recalculated "

b The Army does not agree with this recommendation The Army has used the expertise of the two organizations recommended in determining requirements The Training and Doctrine Command (TRADOC) is responsible for individual unit design and participates in the formulation of the allocation rules used for aggregate force structure requirements The Concept Analysis Agency (CAA) is responsible for converting the Defense Guidance into an operational model which projects the Army's force requirements The CAA was used in TAA 99. 01 and will be used in the TAA 03 process TRADOC was and is deeply involved in the requirements determination process from concept development, the specification of characteristics, doctrinal employment, to the design of using units The Deputy Chief of Staff for Operations and Plans will continue to use TRADOC and CAA in determining requirements

4 a Recommendation 1c "We recommend that the Army Deputy Chief of Staff for Operations and Plans make a cost analysis to determine whether using the Palletized Load System to support Multiple Launch Rocket System and 8-inch howitzer units is cost-effective before including those requirements in the acquisition objectives "

b The Army does not agree with this recommendation PLS equipment is not authorized in MLRS units and no PLS equipment is assigned to such units On 16 November 1993, the Army eliminated the 8-inch howitzer from the force Requirements for PLS assigned to 8-inch howitzer units have been deleted These requirements will be replaced, in some part, by an increase in 155mm self-propelled units The exact amount will not be known until the Winter Command Plan input is completed in March 1994 The DODIG also indicates the Army should not use units equipped with PLS to provide transportation or ammunition support for MLRS The DODIG recommends that HEMTT transportation units, which do not currently exist, be used Preliminary analysis indicates that using HEMTTs in transportation units dedicated to MLRS Rocket transport require 24 more trucks and 55 more personnel than a PLS unit The cost for the PLS trucks (including Flatrack) in the unit is \$12.4M and for the HEMTT would be \$15.1M or \$2.7M per unit more The CAA model for TAA 01 indicated that five PLS truck units would be needed for MLRS support Line haul transportation is not a mission nor a design consideration of

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Department of the Army Comments

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SUBJECT Draft Audit Report on the Follow-up Audit of the Palletized Load System Program (Project No 3AL-5015) - - INFORMATION MEMORANDUM

the HEMTT No Army HEMTT procurement is in the POM An analysis has not been performed for ammunition units However considering the Army's decreasing force structure the ability to add units for unique missions is limited

5 a Recommendation 1d "We recommend that the Army Deputy Chief of Staff for Operations and Plans adjust planned procurements of Palletized Load System equipment based on the results of actions taken on Recommendations 1 a through 1 c

b The Army does not agree with this request for the reasons stated above The Army will continue to adjust requirements to meet missions assigned to the Army Valid requirements currently exceed planned procurements


6 Recommendation 2 Recommendation 2 is directed to the Under Secretary of Defense for Acquisition It is expected that the Under Secretary of Defense for Acquisition will provide his own response

7 Monetary benefit The report indicates that the Army could spend about \$252.9M in FY 94 for procurement of unnecessary trucks and trailers As stated above, the Army is procuring fewer PLS than required and the alternatives recommended by the DODIG are more costly in terms of both dollars and personnel

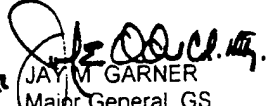
8 Coordination conducted with ODCSLOG (Ms Fox/Mr Lull), PEO-CS (Col Mcleod), PAED (Maj Pilgrim), HQTRADOC (Mr Hobbs), Transportation School (Ms Danser), Munitions and Missile School (Mr Elston), and SARD-ZCS (Mr Rann)

ENCL

Dec 3, 93 Noted DAS


John R. Barnes
LTC, GS
ADAS

CF DAMO-ZQ


For JAY M. GARNER
Major General, GS
Assistant Deputy Chief of Staff
for Operations and Plans
Force Development

Mr Huber/70423

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