

THE ARMY INDUSTRIAL COLLEGE  
WASHINGTON, D. C.

Course 1932-1933

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ACTIVITIES OF THE ASSISTANT SECRETARY OF WAR  
IN CURRENT PROCUREMENT

by

Lt. Colonel J. K. Crain,  
Director, Current Procurement Branch, O.A.S.W.

December 5, 1932.

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Colonel McCain and Gentlemen of the Industrial College:

It is a privilege for me to be given the opportunity of occupying a stand on which so many distinguished speakers have addressed you during your course. My subject is "The Activities of The Assistant Secretary of War in Current Procurement", and as a preliminary to the discussion of these activities it is necessary to establish the background which will affect the picture presented.

The great problem of procurement comes in war time, but this fortunately enough is encountered only at intervals of 20 to 30 years. Whereas the problem of peace time procurement - like the poor - is always with us.

Because it is a continuous and active function it may have, and undoubtedly does have, a great bearing upon future war procurement. First consider the efficiency with which peace time procurement is accomplished. Efficiency in this connection is synonymous with the saving of money and the money thus saved will be used for other purposes and thus increase our state of preparation for war. Correct purchasing in peace time will lead to correct purchasing in war time, and without doubt the converse is also true. If our specifications are so drawn as to permit inferior supplies to be secured, or if our inspection is so defective as to permit of the same result in peace, then it is fair to assume that defective supplies will be received in time of war. It can hardly be expected that in the rush and confusion of war procurement that we will receive better supplies than we are able to procure in the calm, unhurried days of peace.

The psychological effect of the business methods of the War Department upon the business men, tax-payers, and political leaders of the country should not be underestimated. If these men have confidence in our business ability they will be content to accept our plans for war procurement and to prevent interference by well-meaning patriots when an emergency occurs. Also good business methods have an effect upon the War Department budget, for if the political leaders believe that our expenditures are efficient they will feel that the War Department money is not being wasted.

Again there is a political aspect to the current procurement of the War Department. There is something mysterious to the layman about the firing of a cannon, maneuvering of tanks and dropping of bombs, but there is nothing mysterious to him about buying lumber or potatoes. There have been numerous attempts in the past to consolidate the purchasing activities of the Government departments. There have been efforts made to consolidate the Army and Navy and to form a Department of National Defense. In all these moves the most potent argument has been the claimed economy that would result from combining the supply functions and especially in combining the purchasing activities of the various departments, particularly those of the War and Navy Departments.

The agitation for these consolidations has become acute in the last year because of the financial depression through which the country is passing, and it will undoubtedly become exceedingly acute by reason of the recent upheaval in the national election.

With this introduction I will now outline the activities of The Assistant Secretary of War in the sphere of current procurement. Colonel Frank Scott, who was called to Washington by President Wilson in 1917 to direct the procurement of munitions, has said on several occasions that all the difficulties he encountered in his struggles with that problem were due to either the lack of an organization or the lack of a plan.

The organization of the War Department for procurement consists of The Assistant Secretary of War at the head and the Chiefs of eight supply arms or services with their organizations. Each of these arms or services is assigned a definite function, and were they combined into one supply service the same or a very similar grouping would be set up. You have been given the problem of studying the methods of each of the supply arms and services. The organization of The Assistant Secretary of War for current procurement is concerned with two important functions, namely, the annual procuring of funds and the spending of the money when received.

To accomplish these two missions (and other of various kinds) there are in the office of The Assistant Secretary four officers and eight civilian clerks. These are organized into three sections; a Fiscal Section, Procurement Control Section, and a Statistical Section.

A member of the Fiscal Section sits on the Budget Advisory Committee of the War Department which prepares the annual budget for the Secretary of War. The annual budget expresses in a general way the War Department program for the year; in certain respects it is quite specific.

When the President signs the annual appropriation bill it becomes a general expenditure program. The General Staff then causes to be prepared a more detailed expenditure program. The Assistant Secretary is charged with supervising that part of the program that involves procurement.

That is, the General Staff directs the preparation of the program and The Assistant Secretary of War ensures the proper execution of a specific part of the program. The General Staff determines what and how many items will be procured. The Assistant Secretary of War sees to the efficient execution of the procurement transactions.

The approximate amount of money expended annually by the War Department agencies classed as military procurement is between \$90,000,000 and \$100,000,000 dollars. The division of this by Services is shown upon the chart (Exhibit 1). The Assistant Secretary of War is charged by Section 5a of the National Defense Act with supervising the procurement portion of the military expenditure program. He is not so charged with respect to the non-military program. However, the Chief of Engineers has voluntarily placed his procurement activities under the supervision of The Assistant Secretary of War. His purchasing officers are instructed to follow the regulations promulgated for the military activities and in consequence The Assistant Secretary of War supervises, practically all procurement by the Army, military and non-military.

The sums spent in non-military procurement are not included in the figures just stated.

In war all of the amounts will be increased many times.

In current procurement the agencies that perform the actual duty of purchasing are divided into two classes:

Those under Corps Area and Department Commanders, and those directly under the War Department. The agencies under control of Corps Area Commanders are numerous and in general each spends a relatively small sum although the aggregate of these amounts is large and is probably one-third of the military expenditures. Supervision over these many and scattered activities is difficult.

The approximate amounts spent annually by the principal procurement agencies operating directly under the War Department are shown in chart (Exhibit 2).

The chief opportunity for The Assistant Secretary of War to execute his current procurement mission lies in these latter agencies. There are the instruments which he can use to develop and test policies just as the General Staff use the Mechanized Force and other selected units in developing tactics and equipment.

The Assistant Secretary of War does not operate and he does not wish to operate. He formulates policies that will coordinate the purchasing activities of the various Supply Services, and that will improve the conduct of business of the War Department. This improvement looks to obtaining proper supplies at correct prices, to maintaining good relations with the business world, and last-but not least- preparing for the war-time problem. The Assistant Secretary of War does not hamper the initiative of the Supply Services, but he does endeavor to improve the teamwork of the whole group, as coordinated effort in this field as in any other is superior to disjointed efforts - however successful each of these may be.

The Procurement Control Section of the office scrutinizes the purchase transactions of the Army. It receives copies of all circular proposals issued and copies of all abstracts of bids received. This information is open to inspection by the public and each day representatives of interested firms visit this office to obtain information upon past or future purchases.

The reports of open market purchases where circulars are not used are also received by this section. The law requires that each open market purchase in excess of \$100.00 must be approved by the Secretary of War.

All of these papers are examined to see that the law and regulations are being followed; that supplies are purchased at reasonable prices and in a business-like manner; that the established policies are complied with; that the quality of the supplies is up to the standard; and finally that the supplies are available at the time and place required.

The foregoing list is a formidable one for such a small force to deal with. In addition to the scrutiny of circular proposals and abstracts of bids, we are assisted by complaining bidders acting directly, or through their supposedly influential friends, congressmen or senators, or through the Comptroller General.

The Assistant Secretary of War is the channel of communication with the Comptroller General on all business matters.

This is an interesting but difficult phase of our work. The Comptroller General is limited by law to deciding legal points. But under the guise of legal questions his office at times attempts to direct the War Department business procedure. He occupies a powerful position as he is authorized to decide the availability of an appropriation for a specific purpose, and under this power he can suspend the accounts of a disbursing officer.

In all fairness I must say that we have received satisfactory decisions in a great majority of cases. We have been disappointed in a few decisions and our principal contention with the Comptroller General is that the procedure he prescribes is at times too burdensome.

The basic law that occasions most of our contact with the Comptroller General is Section 3709 of the Revised Statutes that requires all purchasing to be done by advertising for bids. There are exceptions to this basic law, such as emergency conditions, small purchases, etc. And I may say that this same law and the exceptions to it give our own office the greatest number of discussions with the supply services.

The use of advertising requires the use of specifications, and the preparation of specifications is a nightmare to many of our purchasing offices. A specification is defined by Mr. H. W. Bassett in the Journal of "Chemistry and Industry" of September 18, 1931, as follows:

"To enable purchasing to be done on a sound basis there are sundry conditions, the fulfillment of which is essential. The material must be described so that the quality required shall be obtained, and not something which will be less satisfactory; it must be bought on the best possible market terms; the supplies must be of the same quality as that originally described. So that this may be done the preparation of a full description is necessary in greater or less detail, according to the importance of the material concerned, and this is known as the specification.

It is within the last fifty or sixty years only that much attention has been given to the scientific describing of supplies, and prior to this there was only a general classification. Growth in every direction in industry, however, has resulted in a tremendous multiplication of the varieties of the same kind of article or material, and therefore it has become essential to define more or less clearly certain conditions, fulfillment of which is required for the acceptance of goods." \* \* \*

Proper specifications and proper inspection are probably the most essential features of sound purchasing. Many of the evasions of the law requiring open competition are occasioned by a fear that inferior supplies will be received. In avoiding this danger our purchasing officers fall a prey to the opposite one—that is unduly high prices.

The answer to the problem would appear to be the building up of a minimum of well trained groups who will spend as much of the appropriation as is practicable, and reducing the sums spent by local purchasing officers scattered through the Army.

Such a solution would permit larger purchases and an assurance of proper quality at economical prices.

Competition is recognized as necessary to proper purchasing by all business men. Competition cannot be efficiently obtained when small and scattered purchases are made.

The third section of the Current Procurement Branch of The Assistant Secretary of War's office is the Statistical Section. It collects, compiles, and analyses statistical information. The results of its work are used by the purchasing officers in buying, by the Budget Advisory Committee in preparing the Budget, and by the Procurement Control Section in supervising the execution of the expenditure program.

A monthly "Procurement News Digest" is published that has received flattering comments from men in the business world. We are in the unique position of turning away subscribers as it is for Government purchasing officers only.

Charts are prepared for the Budget Advisory Committee showing current prices and probable trends for the important items included in the budget. This is a valuable check upon the figures presented by the supply arms and services in their estimates for funds.

Charts are prepared each quarter showing the progress being made by the services in spending the money allotted them for procuring important items.

Copies of these reports are furnished the services themselves, the G-4, Section of the General Staff, and Colonel Phillipson's office.

These slides will show what one page of this report discloses.

The high spots relating to the item over a period of three fiscal years are covered. For example, there are shown for each fiscal year the estimated and actual number procured; the estimated and actual cost of the number procured; and the rate at which the articles were delivered. From the chart can be gathered the errors made in estimating costs, the trend of costs, up or down, and how much, and the delay, if any, in ordering the supplies and in getting them after the order is placed.

It will be seen that these charts then give quick but comprehensive information and so facilitate control.

I have given a general discussion of the organization of the Office of The Assistant Secretary insofar as current procurement is concerned. In the quotation made from Colonel Frank M. Scott he stressed the necessity for a plan as well as for an

organization. The plan of The Assistant Secretary insofar as his immediate office is concerned - since it does not operate - consists of principles and policies for the guidance of the entire organization. The chief of these of a general nature have been given you in the discussion of the organization and duties of the Current Procurement Division. From a broader viewpoint, however, plans for current procurement of the supply arms or services are in effect the plan of The Assistant Secretary. You are going to study these plans and I will only mention two features that have undergone changes during the the past year and which are considered of major importance in current procurement. At the time I spoke to last year's class these two moves had just been initiated. They are now completed.

The first was the formation of a board of which Colonel Voris, Chief of the Planning Branch, was the head. This board went over the lists of items procured by each of the supply arms or services and endeavored to reduce duplication by assigning one arm or service - usually the Quartermaster Department - the duty of purchasing for all the other arms or services. For example, the Quartermaster Department will hereafter buy all office furniture, whereas formerly each arm or service bought such equipment for itself to the extent of its funds. In addition the Quartermaster General has designated one depa to make all purchases of office furniture.

The second material change in plan is the organization of a Current Procurement Division in the Office of The Quartermaster Genral. The Current Procurement Division is headed by a Brigadier General assistant to the Quartermaster General and its duties are best described by quoting his responsibilities. These are:

- (1) All matters pertaining to supervision of procurement policies of the Quartermaster Corps and that they are in accordance with law, regulations, decisions of the Comptroller and policies of the Secretary of War.
- (2) The development and standardization of specifications for all articles furnished by the Quartermaster Corps.
- (3) Coordination of data for the Federal Standard Stock Catalogue and Quartermaster Corps Standard Stock List.
- (4) Examination of all formal and informal contracts (except for animals and new construction).
- (5) Administrative action on claims and disputes arising under purchase procedure (except animals and new construction).

- (6) The preparation of appropriate studies on the commodities and procurement conditions as the requirements of good business management may demand.
- (7) The establishment of standard methods of current procurement of supplies which when approved by The Quartermaster General become binding on all Quartermaster agencies.
- (8) Directs, supervises and coordinates preparation of War and emergency procurement plans in collaboration with chiefs of divisions concerned.
- (9) Maintains liaison with the office of The Assistant Secretary of War on matters pertaining to current War and emergency procurement.

I will not go further into detail as this subject will undoubtedly be covered later by one of your committees. I wish now, however, to pay tribute to this Division. It is composed of a group of experienced, energetic, and able officers who are engaged wholeheartedly in improving the purchasing of the Quartermaster Department. The result of their work is already reflected in the Office of The Assistant Secretary in that the number of complaints received from the business world has decreased. Questions which arise from purchase transactions in the Quartermaster Department are quickly investigated and corrective action, if any is found necessary, immediately taken. Studies are being made from the vantage point of the central office which permit a consideration of the needs and conditions of the entire Army.

The success of this Division in so short a time has been so marked that I venture to predict that within the next few years the purchasing operations of the Quartermaster Department will become all that the War Department can demand.