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THE FUNCTIONS OF THE BUREAU OF SUPPLIES AND ACCOUNTS

by

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THE FUNCTIONS OF THE BUREAU OF SUPPLIES AND ACCOUNTS

The Bureau of Supplies and Accounts as at present organized is the result of a series of modifications which took place over a period of years, during which the demands of the naval service have been studied and conformed to as they have been recognized and adopted as part of the general naval policy. This progressive development is still going on, and it is doubted that the phase of static completion will ever be reached. Therefore, in listening to the description I am about to give you of the scope and methods of the Bureau you will please bear in mind that constant change and, we hope, improvement is still underway.

This Bureau was formerly the Bureau of Provisions and Clothing, having been constituted as such in 1842, along with four other Bureaus provided for in that year, namely, "Navy Yards and Docks, Construction, Equipment and Repair, Ordnance and Hydrography, and Medicine and Surgery". Some of the original bureaus have been subdivided, changes of names adopted, and new bureaus instituted. Later I will give you the present arrangement, but for the moment let us follow the fortunes of Provisions and Clothing.

In matters of procurement and supply, each bureau originally acted independently of the others, making all contracts for its own materials, receiving storing and issuing them, and in general conducting its business affairs without attempting coordination with similar affairs of other bureaus. This situation attracted the attention of Secretary of the Navy William C. Whitney, who commented upon it at length in his annual report for 1885. After considerable study of the problem the solution was finally found in transferring to the Bureau of Provisions and Clothing the custody and records of all stores pertaining to the Navy, excepting those of the Bureau of Medicine and Surgery, and the Marine Corps. Congress, in 1889, provided for the keeping of property accounts in the Bureau of Provisions and Clothing of all supplies pertaining to the naval establishment and for the rendering of an annual report thereon to Congress, and for the transfer between Bureaus without reimbursement of supplies bought in prior fiscal years. During the following two years (1890 and 1891) it was provided "that all supplies purchased with moneys appropriated for any branch of the naval establishment shall be deemed to be purchased for the Navy and not for any bureau thereof, and that these supplies, together with all supplies on hand, shall be arranged, classified, consolidated, catalogued, and issued for consumption or use under such regulations as the Secretary may prescribe, without regard to the bureau for which they were purchased."

While this law is very comprehensive, it has been necessary to construe it in relation to other laws governing the use of appropriated funds, which to some extent conflict with the purpose of the act just quoted. The general intent of Congress in making appropriations covering operations of the Government for a fiscal year is of course that the various sums specified shall control the expenditures to be made during that fiscal year for the purposes indicated by each appropriation. Consequently, if all supplies purchased with moneys appropriated for the naval service were used indiscriminately without regard to the bureau for which they were purchased, it could easily happen that supplies purchased under an appropriation of one bureau could be used for the purposes covered by an appropriation of another bureau, and thus, to the extent that this was done, defeat the intention of Congress when it established the limiting amount of the appropriation thus favored. Fortunately, the incorporation of the words "under such regulations as the Secretary may prescribe" in the 1890 Act made possible a logical solution of this difficulty. However, it took quite a long time before a satisfactory working system was achieved. After the supplies had been classified and consolidated as directed by the law, some time passed before they were effectively catalogued. The immediate problem was to control in an efficient manner their issue for consumption or use. Before going further into that subject, let me complete the description of the Bureau.

The act of July 19, 1892, changed the name of the Bureau of Provisions and Clothing to the Bureau of Supplies and Accounts. This Bureau is concerned with all that relates to the purchase, reception, storage, care, custody, transfer, shipment, issue of and accounting for all supplies and property of the naval establishment, except medical supplies (but including their purchase) and supplies for the Marine Corps. It still carries on the old functions which relate to provisions and clothing, being especially concerned with the rationing and clothing of enlisted men. It is directly in charge of all fuel for navy use, and of the chartering of merchant vessels, the loading of supply ships, and the operation of fueling plants.

As a financial agency the Bureau of Supplies and Accounts is concerned with all that relates to the supply of funds for disbursing officers and the payment for articles and services.

As an accounting bureau, the Bureau of Supplies and Accounts is concerned with the keeping of the appropriation

and property accounts of the naval establishment, including accounts of all manufacturing and operating expenses at navy yards and stations, the direction of naval cost accounting and the audit of property returns from ships and stations. It conducts an administrative examination of the fiscal accounts of disbursing officers.

At the present time, there are seven other Bureaus of the Navy Department, namely Yards and Docks, Navigation (primarily the Personnel bureau), Ordnance, Construction and Repair (of naval vessels), Engineering (of naval vessels), Medicine and Surgery, and Aeronautics. In addition, the Chief of Naval Operations, who is charged with the operation of the Fleet, and its preparation for war use, acts as a coordinator of effort, through whom major plans affecting the Fleet are put in final shape. The Judge Advocate General has cognizance of legal matters, while the General Board acts in an advisory capacity in matters of major policy.

Each of the bureaus has its own distinct functions or field of operations in which it is responsible for the maintenance and upkeep of the Navy, that is, of the Fleet. This functional plan of administration is one which the Navy adheres to very closely throughout the entire establishment, seeking thus to avoid all duplication of effort and to insure the performance of all duties by those best qualified for them by training and experience.

Each bureau specifies the material of a technical nature required by it, and after procurement by Supplies and Accounts controls the inspection of deliveries. Each bureau estimates for the funds required to carry on its duties.

The Bureau of Supplies and Accounts, under the direction of the Paymaster General of the Navy, is organized into four groups - administrative, supply, finance, and accounting.

The Administrative Group includes the Planning Division, which, in conjunction with the representatives of other bureaus and of the office of Naval Operations, assembles data in connection with war plans logistics, the Appropriations Estimating Division, which deals with Budgetary questions of all kinds for the appropriations of the Bureau, the Field Service Division, which deals with equipment and civilian personnel, apportioning funds to carry on the supply, accounting, disbursing, and purchasing activities in Navy Yards and stations, and to maintain ships' equipment for these purposes, the Officer Personnel Division, which prepares recommendations to the Bureau

of Navigation in connection with assignments to duty of officers of the Supply Corps and pay clerks, the Civilian Assistant's Division, which supervises the civilian force of the Bureau, and handles the mail and files, and the Reference Division, which maintains contact with the General Accounting Office, Bureaus of the Navy and other Departments, and acts in an advisory capacity, particularly for legal questions.

The Supply Group, which includes the Stock Division, which handles all matters relating to storage of the general stock of the Navy, its inflow and distribution, proper storage facilities, replenishment, specifications and general policy in handling, the Purchase Division, concerned with the central purchasing of stock in quantity and of special technical articles of large value, this division prepares the schedules for advertising, makes awards and contracts, keeps in touch with the commercial world generally, and coordinates with other procurement agencies of the Government, the Clothing Division, which is responsible for the procurement, inspection, storage and distribution of clothing required by Uniform Regulations for the enlisted men of the Navy; financial control is exercised through administration of the Clothing and Small Stores Fund (It should be remembered that naval enlisted men pay for the clothing issued to them through checkages to their accounts, except for the first outfit on original enlistment), the Subsistence Division, which controls the procurement, storage and issue of provisions for rationing the enlisted men of the Navy, the Fuel and Transportation Division, which administers the procurement, storage and issue of fuel for ships and other purposes, and also handles all questions relating to freight transportation

The Finance Group includes the Certification Division and the Disbursing Division. The Certification Division reviews all financial questions and problems arising in connection with claims and vouchers and prepares vouchers for settlement in those cases where payment is not made in the field. Its work is so voluminous that it would be impracticable to detail it further. The Disbursing Division pays vouchers arising through the central naval administration, though many heavy payments are made through field offices. These two divisions of the Finance Group work in close connection and cover a very wide range of business.

The Accounting Group includes the Administrative Examination Division, which handles all matters pertaining to administrative examination of fiscal accounts of Navy disbursing officers, this is preliminary to and supplemental to the work

of the General Accounting Office, the Appropriation Division, which maintains appropriation ledgers and keeps exact records of all obligations and expenditures pertaining to each appropriation and fund of the Navy, the Audit Division, which audits all property returns, the Cost Division, which controls the expenditure records of the Navy, particularly industrial cost accounting, the Cost Inspection Division, which conducts audits of plants and books of contractors who are legally subject to naval supervision, the Property Accounting Division, which conducts transactions in property relating to other departments and to outside parties, including sales of Navy material, and clears all property transfers among various custodians, and the Emergency Statistical Division, which prepares statistical reports relating to funds and work under the Recovery Program.

This very brief description of the Bureau's duties will give a general idea of its scope and functions, although it has been necessary to omit many important features which time will not permit mentioning

Before proceeding further in describing the work of the Bureau, it will be well to call your attention to two accounting features of the naval establishment which have had considerable influence in the development of naval business methods. These are the General Account of Advances and the Naval Supply Account Fund. First, the General Account of Advances

The common practice in our governmental system controlling the expenditure of appropriated funds is as follows:

When funds are needed for a given purpose a requisition is submitted to the Treasury Department naming the amount desired and the appropriation from which to be drawn. A warrant is then issued which covers the establishment of a deposit of the amount in question in the Treasury to the credit of the proper disbursing officer. Where a disbursing officer has payments to make under several appropriations, he must have separate accounts for each. This system did not work very well aboard ship, especially on foreign stations, so a law was enacted in 1878 which authorized the advancement to naval disbursing officers of sums not drawn directly from specified appropriations. The law provided for a "General Account of Advances", an intermediate account in which were recorded the amounts passed to the credit of disbursing officers on naval ships and foreign stations. As these disbursing officers rendered their accounts current showing the appropriations chargeable with expenditures, the necessary book entries were made, adjusting the relation between

General Account of Advances and the appropriations concerned. The only restriction on this method was the provision that the amount carried to General Account of Advances could never exceed the total of the available naval appropriations.

This system, adopted for ships (and for foreign stations as acquired), continued for 30 years and worked so well that later, in 1908, it was decided to adopt it for all naval disbursements, and since then, all money for the Navy is first transferred to the G A A, and on the basis of expenditure returns, in which the proper appropriations are specified and vouchered, the correct adjustments are made on the books of the Treasury.

A naval disbursing officer keeps himself supplied with funds by submitting requisitions based upon his past disbursements, without being under the necessity of stating under what appropriations or for what purposes the money is to be expended. Thus there is avoided the possibility of having money available for some expenditures but not for others, and the total amount on deposit, since it can be used for any payment, needs not be as great as it would have to be if it were made up of amounts each earmarked for a special purpose. This greatly facilitates the business of the Navy Department in handling the large number of appropriations with which it is concerned. It is a development of the Navy Department not found elsewhere in our Federal Government accounting, except for a partial adoption by the Army. Where, as in the naval service, a single disbursing officer makes payments chargeable to a large number of separate and distinct appropriations the advantages of the one account with the Treasury for all funds to be disbursed are very great.

Next, the Naval Supply Account Fund

I have already quoted the law relating to naval stores enacted just before the Bureau of Provisions and Clothing was renamed the Bureau of Supplies and Accounts, in 1892, and indicated that some difficulties were incurred in controlling the issue and use of stores.

At first this was done by providing that supplies purchased under a given appropriation should be available during the fiscal year in which procured only for the purposes covered by that appropriation. Such supplies when received into store were designated "Special General Stock". After the expiration of the current fiscal year, these supplies became "Common General Stock" and could then be drawn from store and used for any suitable purpose by an activity of any bureau without charge.

to the appropriation thus benefited. The bad feature of the arrangement was the lack of balance between the cash expended for supplies and the supplies actually used. Some appropriations expended more for supplies than they used, while others used more supplies than they paid for. The difficulty is apparent and needs no further elaboration.

For a considerable time this situation continued in existence and was the cause of much discussion and some recriminations. Bureaus, whose appropriations were inadequate for work in hand or contemplated, were prone to take advantage of the opportunity which presented itself at the commencement of a new fiscal year, and to draw from store supplies which had just become common general stock, applying them to their own purposes, although the stores had been purchased from appropriations of other bureaus. After some years, a system was evolved which eliminated this difficulty. A revolving fund was established by Congressional action, entitled "The Naval Supply Account Fund". When supplies are purchased under this system, they are paid for from the fund and taken into store. When issued from store for consumption or use, their value is charged to the appropriation concerned and credited to the fund. These credits are then used for the procurement of new stores. Thus, each appropriation is charged with the exact value of supplies applied to work in hand.

There are certain exceptions to this practice, however. Stores of a highly technical nature, applicable to the purposes of a single bureau, are frequently (though not invariably) purchased as a direct charge to the appropriation concerned. Thus, ordnance and ammunition are procured directly under Bureau of Ordnance appropriations, aircraft and technical aeronautical material are procured under appropriation of the Bureau of Aeronautics. There are also certain other technical articles and materials which are not included within the scope of the Naval Supply Account Fund. On the other hand, a good deal of highly technical material which could just as reasonably be excluded from the fund operations as ordnance and aviation materials, are actually procured and handled under the fund. There is no hard and fast rule about it, custom and convenience being largely in control.

There are thus two main accounts of supplies in store, the Naval Supply Account, which embraces supplies purchased under the Naval Supply Account Fund and the Appropriation Purchases Account, which, as its name implies, embraces supplies purchased directly under the various appropriations.

It should be obvious that the introduction of the Naval Supply Account Fund has greatly improved our stores accounts. All supplies, with certain technical exceptions which have been mentioned above, are procured under this revolving fund, and their values are not charged to the appropriations concerned until the material is actually issued for use. Were this system universal, the correct accounting for supplies would be much simplified. Unfortunately, the exceptions prevent completely satisfactory results. These exceptions are not arbitrary, however, but are based on sound reasons. Primarily, the value of ordnance, aviation, and certain other technical supplies not handled through the fund are enormous, and the danger of wrecking the fund by attempting to finance these technical supplies is considerable.

While on this subject of stores management, let me recall to you the Standard Stock Catalogue.

The law of 1890, quoted above, provided among other things that the supplies on hand should be catalogued as soon as practicable thereafter. This was accomplished by the issuance of a classified index wherein were listed the names of articles carried, alphabetically arranged, the class to which each pertained, the bureau or bureaus interested in its use, and the purpose, or charge account to which it was intended to be issued. This served for twenty years or so as fulfilling the cataloguing mandate of the law. However, it was felt that this was insufficient, and there was subsequently developed the Navy Standard Stock Catalogue, the forerunner of the Federal Standard Stock Catalogue, which now is in use by the Government services generally.

This catalogue lists all items of government stores which are of a standard character. Not only the name of the article, but the various sizes and kinds are itemized, followed by a description and the standard specification, if any, under which each is procured, and the Departments of the Government interested in its use. The items are grouped in classes, and each item has its individual Standard Stock Number. By an ingenious system of numbering, the items are arranged both alphabetically and in numerical order. The classification is such that items can be stored in the same order as listed. Consequently, by simple reference to a card index one unacquainted with an item can obtain its stock number, and with that as a guide can proceed to the storage bin or area and locate the item at once. There is not time available to describe this catalogue in full, but it should be understood that it has made possible the proper

custody and inventorying of stock to a degree which was undreamed of before its adoption. The Navy, and the Government generally, owe a debt of gratitude to its inventor, Rear Admiral T. H. Hicks, S. C., U. S. Navy, now retired, whose unceasing energy and wise foresight made its adoption possible.

One of the most difficult problems with which the Bureau deals is Cost Accounting, which can be touched upon only very briefly.

The Navy is perhaps more largely occupied with industrial work than any other Department of the Government. The repair and maintenance of the Fleet is almost wholly conducted at our navy yards, and many of the vessels composing the Fleet are constructed in the Navy's own plants. Nearly all of the naval ordnance is manufactured at the Washington Gun Factory, the rough forgings only being procured from steel plants. Thus the problem of correct cost of production is a real one to the Navy.

Before the year 1909, it had been the practice for each Bureau to have its own representatives in the navy yards who prepared returns of cost of work to be forwarded to the Bureau of Supplies and Accounts. In the year mentioned, central accounting offices were started in the various yards and the work of cost accounting thus coordinated and improved.

It was desired to follow the best industrial practice in this connection, therefore a firm of accountants was employed to aid in setting up a well designed system. This firm after considerable study found that the complexity of our appropriation system markedly differentiated us from ordinary commercial establishments, and consequently, with the aid of our own experts, evolved a basic plan conforming to our necessities, which was adopted. Many modifications have been incorporated since then, all tending to simplification of the routine work, and in many cases to clarity in results. However, the fundamental principles have been adhered to.

The diversity of work done in our navy yards, ranging from the construction of ships to all sorts of repair jobs of non-recurring character, made it impracticable to adopt some of the refinements of cost accounting suitable to plants turning out standard articles involving constant repetitive operations. Thus, while the influence of such pioneers as Frederick W. Taylor and others has exerted its effect on our methods of management, so that central planning, functional foremanship and routing of work are all parts of our system, we have gone only a little way

in the development of piece work or standard tasks. Indeed, such attempts as have been made along that line have been discouraged by Congress, which forbids the use of any appropriations in payment of salary or pay where stop-watches or other time measuring devices are employed for time studies, and denies the right to pay a bonus for speed in performance.

Under these circumstances, we adhere to the old-fashioned plan of distributing overhead by prorating in accordance with the direct labor applied. Each shop is charged with maintenance and operating expenses, power, and its proportion of general expenses for the determination of actual shop expense. Depreciation and disabilities of employees are taken into due account, so that the recorded cost of output is in general comparable to that of commercial establishments.

Having described for you the general organization of the Bureau of Supplies and Accounts and having indicated the scope of its activities, it is believed that the description can be aided by giving a few examples of the practical operations of the Bureau.

Stock Upkeep Naval materials and articles are either standard or non-standard. Standard items are maintained in stock in the various navy yards and stations through a carefully administered replenishment system, based on recorded issues and expected demands.

The establishment of standard stocks at navy yards, the assignment of distributing points, the procedure for stock maintenance and review of stock requests and requisitions received from the yards must be carefully and thoroughly administered. If stores required afloat are not in stock for ready issue to the Fleet, delays in repairs and upkeep result. Consequently, the maintenance of a stock of all standard materials ashore is of vital importance in the operation of the Fleet. The navy yards and stations are the main source of supply for all equipment necessary to make a ship habitable, materials required for repairs and alterations, and consumable supplies required for operation and cleanliness. The specifications covering materials required for use in the various departments are prepared by the technical bureaus, due consideration being given to the special requirements for shipboard use. Many items carried in stock require manufacture by the Navy or special manufacture by commercial concerns, since the regular commercial

article, readily obtainable in the market, will not fulfill the requirements

The Stock Division reviews all requisitions received from shore establishments and vessels of the Fleet for non-standard articles, after approval by the technical bureaus, such as Engineering, Construction and Repair, and Navigation. The technical bureau having cognizance gives particular attention to the purpose for which the material is required and the specifications given in the requisition. The Stock Division scrutinizes the requisitions with particular reference to the appropriations ultimately chargeable, the delivery terms, and the stores account and class in which the material shall be carried ashore or afloat pending its issue for use

The Bureau takes considerable pride in the system of storage which has been developed under its supervision, and the methods which have been adopted for prompt and efficient supply of stores. It is believed that the storehouses in the various navy yards and bases compare favorably with any maintained in or outside the Government service. You are all urged to take advantage of the first opportunity to inspect one of these establishments

Purchasing The Bureau of Supplies and Accounts is the principal purchasing agency of the Navy. There are certain exceptions, which are as follows

The Office of the Secretary of the Navy purchases land and ships

The Bureau of Yards and Docks makes construction contracts involving both labor and material

The Bureau of Ordnance is authorized to purchase certain items of arms, ammunition and gun forgings, though ordinarily the majority of these purchases are made for the Bureau of Ordnance by Supplies and Accounts.

The Marine Corps performs all its own purchase functions

With the exceptions noted above, all purchases for the Navy are made by the Bureau of Supplies and Accounts or under its direction by the Supply Officers of navy yards and station, Supply Officers of ships and the Navy Purchasing Offices located at New York, N. Y., San Francisco, California, and Shanghai, China

Approximately 50 per cent of the purchasing which comes under its supervision is done in the Bureau itself. These purchases

in the fiscal year 1936 amounted to \$95,000,000 in round numbers. Field purchases during that year approximated an equal amount.

To obtain better quantity prices, the needs of all yards and supply depots for stock materials are consolidated and purchase made on a Bureau schedule when the quantity warrants. This is accomplished by the assignment of the several classes of material to specific replenishment periods, occurring for each class twice a year.

A carefully compiled and classified mailing list is maintained in the Bureau. The materials required are advertised in accordance with the law and invitations to bid are sent to all firms on the mailing list for the particular material under procurement.

Materials such as copper, tin, flour and other commodities subject to market fluctuations are purchased on telegraphic bids. Every endeavor is made to award by telegraph or telephone before the closing of the market on the day the bids are opened.

On purchases to be made in the field on requisitions submitted to Supplies and Accounts, the Purchase Division designates the point of purchase. Certain emergency purchases and small quantity purchases are authorized to be made by field activities and ships without reference to the Bureau. While wide discretion is allowed field purchasing offices, controversial cases are referred to the Bureau for decision. The Bureau exercises a certain amount of supervision over these field purchases and endeavors to see that the same principles are used in determining awards throughout the Service.

A good example of the procedure followed and the coordination of effort effected under the Navy Department methods is found in the process of supplying the Fleet with fuel oil.

The technical characteristics of fuel oil are determined by the Bureau of Engineering, which maintains a constant study of the burning efficiency and other qualities of available oils, varying the specifications from time to time to meet the requirements of the service and the changing conditions of the market. Thus, the quality of the oil is fixed upon. The

Office of Naval Operations, from its estimate of the situation, determines upon the Fleet operating plan for the coming year, which plan establishes the number of miles to be steamed by each unit of the Fleet, the speed, number of days in port, and other factors necessary to approximate the number of barrels of oil to be consumed by the unit. A summation of these results gives the quantity of oil which will be required.

With these data in hand, the Bureau of Supplies and Accounts proceeds with the letting of contracts in the various ports of the eastern and western seaboard, usually for six-months periods. Owing to the large quantities of fuel oil consumed per year - about eight million barrels - a number of oil suppliers participate in these contracts. Only a comparatively small part of this oil is bought for storage and issue at the various navy yards, the bulk of it being taken by the Fleet direct from the suppliers as needed. The Bureau of Supplies and Accounts makes very detailed monthly reports to the Chief of Naval Operations and to the Commander-in-Chief of the Fleet, showing the fuel consumption records of each fleet unit, arranged by divisions and forces, thus keeping them informed at all times as to the Fleet's record in this respect.

The method used for controlling the funds expended for the pay, subsistence, and transportation of commissioned and enlisted forces of the Navy is another good example of coordinated effort. The Bureau of Navigation and the Bureau of Supplies and Accounts work in close touch with each other in this connection. Again we revert to the Fleet maintenance plan of the Chief of Naval Operations for our basic facts. The number of ships of each type that will be in commission during the year, the new ships that will go into commission, and those that will go out of commission are all considered. Congress fixes the number of officers and men to be employed, based on these operation data. The Bureau of Navigation sets up a schedule showing the distribution of men in each pay grade, and the Bureau of Supplies and Accounts calculated the pay and allowances for all grades.

The subsistence costs of the men in the many varying conditions under which they serve, the costs of recruiting and transportation, and all the incidental expenses involved in maintaining a large body of men are determined in consultation between the two bureaus, thus affording a constant check on the costs of the operating personnel and the financial

resources available for that purpose

An example of the handling of an emergency procurement problem by the Bureau and its field activities may be of interest. On 1 February 1932, the Bureau, learning of the movement of Marines and the Twenty-first Infantry from Manila to Shanghai as a result of the Japanese military activities, radioed the Commander-in-Chief, Asiatic Fleet, for information as to what additional fresh and dry provisions were required. A reply was received the following morning, stating that fresh and dry provisions for 6,000 men for three weeks should be shipped by the steamer President Taft, sailing from Seattle four days later. Instructions were immediately issued by radio to the Navy Yard, Puget Sound, to make purchase and shipment of 250 tons of fresh provisions and to ship from store some 330 tons of dry provisions. The articles of fresh provisions were advertised and awarded by Puget Sound the same day, and by working three shifts the contractors made satisfactory deliveries and all articles had been loaded aboard the PRESIDENT TAFT by 2:30 P. M. on February 5th. This was a little more than three days from the time the Bureau first started to investigate the necessity for provisions for the armed forces at Shanghai. Incidentally, the priced invoices accompanied the shipment.

In the foregoing description of the functions of the Bureau of Supplies and Accounts, effort has been made to avoid detailed descriptions of sections and divisions pertaining to the various classes of work, although some mention of them has been made in order to lay before you the fact that such sections and divisions do exist. It is not considered necessary, however, to clarify their functions for you in detail, since the salient fact of their existence is sufficient to give the picture desired.

As has been frequently stated, the important function of the whole Navy Department is to maintain the Fleet in readiness for war, and at the risk of seeming to be trite in this respect I must insist that this thought is actually the controlling motive throughout the administration of the Department. The fact is continually borne in mind that the Fleet must be capable of operating in any part of the ocean quite remote from sources of material supply, and often for extended periods of time. Since any modern war vessel is a very complex machine, there exists a very wide variety of material needs to maintain it and as it has not been practicable to provide within

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the hull much room for the storage of materials, it is highly essential that efficient use of the limited space available be made. Consequently, it is evident that the function of storage, stock upkeep, and issue is best handled when centralized in a single department known as the "Ship Supply Department", officered by specialists in supply problems.

Quick and efficient replenishment of the stock of materials aboard is necessary, in order that the units of the Fleet may move in and out of port promptly. This requirement can only be met by having available at strategically located points supply bases that maintain at all times a complete stock of the materials that may be required. The shore part of naval supply, then, is organized to consist of supply bases where complete, or nearly complete, reservoirs of all articles and materials are constantly maintained. These supply points are located in the navy yards along the Atlantic and Pacific Coasts, as well as in Honolulu and Cavite.

While these stocks of supplies thus maintained are not solely for the purpose of direct issue to ships but serve also for the industrial shore establishments and such miscellaneous shore activities as training stations, radio stations, etc., nevertheless since the activities of all such stations are directed to the sole purpose of maintaining the Fleet in operation, the prompt delivery to them of the needed materials is of parallel importance with the direct issues to the Fleet. However, the direct demands of the Fleet itself always take precedence where precedence is needed.

The Bureau of Supplies and Accounts endeavors to coordinate and control the even flow of material to all these activities, and each part of the problem is handled according to the decisions made from time to time regarding the most efficient and economical method. Thus we have centralized purchasing and distribution in those cases where the nature of the business indicates the wisdom of that method. On the other hand, in cases where the nature of the materials to be procured - for example, fresh provisions for immediate consumption - indicates other procedure, decentralized methods are followed. All factors bearing on the problem are considered before decision is arrived at governing the mode of procedure to be adopted. This is exemplified in connection with the latest in the field of naval activities, the Bureau of Aeronautics, which has brought with it a great many problems somewhat new to the service. The prompt and efficient procuring of aeronautical supplies, including aeroplanes themselves, as well as the

proper storing, issuing and accounting for aircraft supplies, furnish problems which require the constant study of those assigned to that work. The procurement of aircraft is guarded by special legislation, and the Secretary of the Navy is solicitous that these matters should be strictly and creditably handled. Owing to the complex legal situation surrounding this question, the Judge Advocate General of the Navy is called upon to pass upon many of the problems involved before their solution is attained. The tendency, of course, has been to require the aircraft business to conform to the standards previously set up in connection with other technical matters, but the fact has not been lost sight of that the solving of aircraft problems affords examples and lessons which are useful to us and can be applied to general naval business.

The constant aim of the Bureau is so to conduct its affairs as to accord with the business principles found in commercial life. While it is true that the statutes provide many formalities for the conduct of Government business and set up certain restrictions which are commonly referred to as "red tape", it is nevertheless a fact that whenever the needs of the service require immediate action, it is always possible to move with rapidity and to accomplish the desired results within very brief spaces of time. Thus in an emergency it would be quite possible to place orders for large amounts of material by telephone, without formal competitive bids, to order shipments of large quantities of stock from point to point, and to take any steps necessary to accomplish a given object. That this is not ordinarily done is due to the fact that restrictive statutes are considered wise in their purpose, and while possibly causing some inconvenience in a given instance, yet in the long run they enhance the efficiency and capacity of the Navy for important transactions.

Since the Bureau of Supplies and Accounts comes in close contact with the commercial affairs of the country, it has always been anxious to forward the business interests of the Navy in its relations with the commercial world. At the same time, it endeavors to protect the interests of the bureaus of the Department so far as assisting in the economical expenditure of their funds and the securing of the best service where contractual relations are concerned.

It will, of course, be noted that while the Bureau of Supplies and Accounts is to a large extent a service bureau, assisting the technical bureaus by affording the necessary machinery for carrying on what might be denoted as their commercial

affairs, it is also a technical bureau itself in relation to its handling of provisions and clothing, fuel, and other details for the naval service of a somewhat miscellaneous character

In conclusion, I would ask you to bear in mind that the Navy, which might be denoted as a "going concern", would, in time of war, be merely expanded as fast as conditions permitted, and that in the course of this expansion it is contemplated that the same methods and principles utilized in times of peace would be carried on. The Bureau of Supplies and Accounts, therefore, in the adoption of its plan and policies constantly confronts itself with the question as to whether or not its procedure would be practicable in war-time and seeks to adopt only those systems which would stand the test of war conditions. While it is true that peace-time economy requires certain methods which might have to be discarded in war, these are made as few as possible and, where existing, study is applied with the hope of supplanting them with routines intended to persist under any and all conditions

DISCUSSION FOLLOWING LECTURE ON

"THE FUNCTIONS OF THE BUREAU OF SUPPLIES & ACCOUNTS"

by Rear Admiral Charles Conard  
December 15, 1936

Q - You spoke of procurement under certain conditions by  
bureaus other than the Bureau of S. & A - the Bureau of Ordnance,  
for instance Is there control of that?

A - They simply pass the records to the B. of S & A for the  
necessary notation that the appropriation has been obligated to that  
extent. The advertising for that particular material is conducted  
by Ordnance and reported back to S & A for accounting.

Q - Before the Bureau of Ordnance starts its advertising and  
awarding does the Bureau of S & A come in?

A - No, *except to award the obligation.*

Q - In making your advances, how do you protect overruns on the  
appropriations?

A - That is all handled through a very comprehensive allotment  
scheme. The amounts to be allotted for each ship and station are  
set up and they can only work within those allotments

Q - Do you attempt speculative purchases, for instance 2 or 3 years  
ago didn't you purchase copper on a low market? And what is the fund?

A - Some years ago I remember that a heavy purchase of copper  
was made because of the condition of the market but we do not pursue  
that as a policy We simply lay in our required stocks at the time the  
market is most favorable, - stocks for a year or 18 months About the  
fund - that is a complicated question The fund originally started

back in 1896 with an appropriation of two and a half million dollars. That was entirely inadequate for the purpose and it ran along for a few years until in 1908 we adopted a readjustment by which the common general stock was thrown into this fund. That ran along for a while and during the war the demands on the fund were so great that the system was modified so there were no ~~allocations~~ <sup>limits</sup> to the amount that could be used so long as it did not exceed the amount of the total Naval appropriations. You could use through this fund all the money available. That got things mixed up in the Treasury Department. At the expiration of the war there were a lot of unexpended balances that had been set up, due to the sudden cancellation of contracts, etc. Congress then passed a law applying all these unexpended balances to the Naval Supply Account Fund subject to all claims against this balance. ~~The result is that we have an indefinite amount because we don't know what claims are outstanding.~~ At the present time the value of the fund is around sixty-nine million dollars.

Q - You said that in time of war you expect that your procurement system will function as it does in time of peace. That is quite understandable as the Navy is practically on a war basis in time of peace. In the case of a major emergency we of course contemplate that there will be a great many shortages of items in which the supply will be inadequate and there will be a system of allocating productive facilities. I presume your plans contemplate such a system of operation. Will that change your peace-time methods in any respect? Is it true that you will function in procurement in war-time as you do in peace?

A - We visualize a situation at the start of continuing to function exactly as we do in peace except for certain critical materials of which the supply is insufficient for both the Army and Navy, as contemplated by the Joint Board and Mobilization Plan. Items of that nature would be handled on an entirely different basis; they would be allocated. The general mass of supplies would be handled as in peace-time up to the point where it was indicated that ~~the~~ <sup>an</sup> shortage was liable to ~~persist~~ <sup>exist</sup>. It is impossible to foresee to what extent supplies will be allocated. Our idea is to have it so flexible that there will be no loss of time.

Q - Is there a probability of the Procurement Division taking over the functions of the Navy Department?

A - They take over at the present time a few important items. I believe they buy gasoline in the field for us. The idea as I understand it, is not at the present time to take over the Army and Navy ~~jobs~~ <sup>functions</sup>.

Q - One of the troubles during the war in the Army was the fact that we did not have General Staff control. In looking at the chart I notice that the Chief of Naval Operations has a dotted line going to the various bureaus which shows coordination of the work. It does not say anything about control. The Bureau of Supplies & Accounts endeavors to coordinate the smooth flow of supplies. Suppose you had a cargo ship and four bureaus were fighting for the supplies on that ship. Just who would decide or be the referee as to who would have priority?

A - We don't expect that problem to confront us in that way. It would be, perhaps, the shipment of certain material that one bureau wanted

as against a shipment another bureau was interested in. That is just one of those things that have to be settled by conference You can't beforehand prescribe any precedence in a matter of that sort

Q - Is there any one below the Secretary of the Navy who can definitely state who will have preference?

A - I imagine the procedure would be - if they can't agree among themselves - to take it to the Chief of Naval Operations who would make the decision If either one of the bureaus was dissatisfied or believed there had not been sufficient importance attached to his requirements, it would be taken up with the Secretary of the Navy

Q - I believe you stated that the Bureau of Yards and Docks signed contracts for new construction rather than the Bureau of S & A How are materials purchased for current repairs and maintenance to Navy Yards?

A - By the B<sup>w</sup> of S & A They handle all procurement of supplies intended for use as supplies All the Bureau of Yards and Docks does - suppose there is a dry dock to be constructed, there is no question of receiving material, it is a contract with a contractor to build <sup>a</sup> dock It is an agreement between him and the Chief of the Bureau of Yards and Docks to do a certain thing.

Q - If they need a piece of steel or stone, the B of S & A buys it?

A - Yes <sup>for</sup> All the work <sup>of a similar character</sup> done by Navy <sup>and</sup> employees/under the supervision of the Bureau of Yards and Docks, these materials are handled like all others, we buy ~~the~~ carloads <sup>loads</sup> of cement for ~~the~~ work.

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Q - I am interested in one thing~~s~~, and I think every purchasing and contracting officer is also - the question of emergency purchases. You say you can call on the phone and buy several thousand dollars worth of property at any time and it can be termed an emergency. How far can you go with that, we don't get far with it in the Army. We are constantly confronted by the Comptroller with the question of what constitutes an emergency. There is always a feeling with our purchasing and contracting officers that they must lean over backwards in order to stand up straight.

A - We avoid going into the emergency <sup>status</sup> ~~class~~ unless we believe it is really an emergency. You see we have this on our side we have the technical user of the material who will state in writing that it is absolutely necessary to have the material at a certain place at a certain time, and <sup>we have</sup> ~~he is~~ authorized to go out and place the order.

Q - When we in the Army do that we are told it is the fault of planning and not an emergency.

A - It does not make any difference whose fault the emergency is so long as it is there.

Q - Do you consider that matter of the question of supplies for Shanghai an emergency. Was it not known beforehand?

A - We actually sent circulars to provision dealers in Seattle, sent an officer by airplane, and he received the bids and made the awards the same day. That was not handled as an emergency because ~~he~~ <sup>we</sup> had sufficient time <sup>to advertise</sup>.

Q - We are required to put out bids for five or ten or fifteen days.

If we show less than a four or five day lapse between the award and the bid we get into all sorts of difficulties.

A - It would not be up to us to prove that the War Department should have the 21st Infantry in Shanghai a month ahead

Q - In other words, it comes right back to the Army (laughter)

Q - I would like to ask you about the duties of a supply officer in manufacturing <sup>yards</sup> ~~years~~ like your <sup>Washington</sup> Navy Yards. It is my understanding that he operates under the Bureau of Ordnance.

A - No, under the B. of S & A, he is assisted by ~~the~~ Bureau of Ordnance <sup>for</sup> but he gets his instructions and system of handling business from the Bureau of Supplies & Accounts.

Q - In the preparation of specifications by the various bureaus, do you enter in that at all?

A - Yes, very largely. The only part of the specification that is not really prepared in the B of S & A is the exact technical requirement, the arrangement of the specification and its general scope are all o k 'd in the B of S & A, with representatives of the bureau concerned

Q - If the bureau specified is doing things in such a way as not to get competition would you check on that?

A - Oh yes, we check on that but sometimes we have trouble <sup>It is sometimes</sup> ~~They claim~~ that the specification is restrictive but that is one of those things that has to be worked out.

Q - Just what control does the Chief of Naval Operations exercise over your minor operations? They tell you the larger aspects but how far do they go in telling what you can and can't buy?

A - Not at all In matters of policy if a question comes up that is thought would affect the major policy we take it up, but in the ordinary daily work, we do not.

Q - Is there a branch set up under the Chief of Naval Operations for that purpose?

A - Their ordinary work is more nearly and almost entirely concerned with war plans

Q - You indicated that in the fiscal year 1936 your expenditures were approximately 190 million dollars, split fifty percent between the central office and the purchasing office. Is that obligations or expenditures?

A - Expenditures, I think. They would be about the same each year

Q - That is rather a healthy sum. How many people do you employ in the Bureau to oversee that expenditure?

A - We have the largest number of employees of any bureau in the Navy Department I do not know the exact number

Q - I am interested in allowances Are they determined in the Bureau of Supplies & Accounts or the technical bureaus or the Chief of Naval Operations? I mean the allowances in kind

A - Each ship in the Navy has what we call an Allowance Book and in that is specified the amount of non-consumable stores, and there is a list for each of the technical bureaus concerned Those are the quantities allowed each one of those vessels, <sup>and</sup> the consumable supplies - the ~~amount~~ <sup>amount</sup> of things used up every day <sup>and</sup> controlled by a money allowance and that is <sup>also</sup> charged with <sup>consum</sup> the value of the equipment However, if your

point is, does the technical bureau decide what they have, the answer is that they do

Q - Does the B. of S & A decide on clothing for each enlisted man?

A - That is done between the B of S & A, and Navigation. The Bureau of Navigation is the Personnel Bureau and is interested in what each man has and what the uniform shall be The B of S & A is concerned with getting clothing of that description, having it in stock, and maintaining and safeguarding it.

Q - In the allowances for shore stations - such as fuel and light, - are they determined by the B of S & A or the technical bureau?

A - If you mean for quarters, we follow the Quartermaster General of the Army We get our allowances from him and walk right behind him

Q - On the question of subsistence supplies - who is responsible for the proper safeguarding of sanitary conditions of the subsistence supplies purchase on board ships? Who is responsible that it meets specifications and that it is fit for consumption?

A - The fresh provisions are inspected by a representative of the Department of Agriculture. We pay ~~an~~ employees of that Department to inspect all of the supplies unless they are of such small quantities that it is not worth while, then they are handled through the ship's doctor and the officer of the deck

Q - Does the medical officer on board ship have any duties in connection with the inspection of supplies?

A - Only when question arises. Ordinarily, no

Officers and the Supply Officer for goods and Honolulu

Q - The Department of Agriculture representative inspects beef as suitable for human consumption. I noticed in Honolulu they were delivering large amounts of supplies to your boats and apparently they just took it aboard and put it away

A - The meat itself is examined by the representative of the Department of Agriculture / For the small orders we had a rule that we did not call on the Dept of Agriculture to inspect orders for a ship <sup>must</sup> of less than a thousand pounds, over that amount, we did. That was a matter of convenience because we could not get him to come in for those little inspections We usually tried to order larger quantities and put it into our own cold storage

Q - The officer of the deck is not an expert How does he know whether vegetables are fit for human consumption? Who is responsible? The Supply Officer himself? He is really the quartermaster

A - <sup>at Honolulu</sup> it is a problem on small ships because we have to rely on the people who are consuming the food On both the west and east coasts <sup>of the US</sup> every bit is inspected by the Department of Agriculture

Q - After hearing Admiral Pye yesterday and you today it is difficult to see how the Navy organization differs if we construe that chart to mean the Chief of Staff and General Staff and then the Quartermaster General and the Finance Officer That would not differ a great deal from the Army set-up

A - I should say that the B of S & A combines the functions of the Quartermaster General ~~and~~ <sup>and</sup> the Finance Officer, except for construction work, which we have handled by a separate bureau.

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Q - Then the only difference is that the Bureau of Navigation is a little different from our set-up?

A - Yes, *and we are in charge of our own*  
(General Warfield)

Q - For the Pacific Fleet do regulations require that the Medical Officer shall inspect all deliveries and the officer of the deck as well?

A - General Warfield was with me in Pearl Harbor and he saw what we were doing. We had to be a little lax because we could not get the Department of Agriculture representative there at all times.

Q - You are doing the buying for other bureaus of the Navy. It occurs to me that there is a grand opportunity for liaison work. Do you have a representative of the other bureau or do they have a man who specializes in supply coordinate with you?

A - The demand ~~for~~ a requisition, for the purchase of something of a technical nature for a bureau arises either in a Navy Yard or in the technical bureau itself. If it arises in the Navy Yard they inform the Supply Officer and the requisition is drawn. In some yards the requisition is drawn by the supply officer and signed by the technical officer concerned, and in some cases prepared by the technical officer as notification of what he wants. The supply officer signs it as an indication that there is nothing <sup>of interest</sup> available. It is then forwarded to Washington for the technical bureau and they decide whether it is material they favor being furnished and if the specifications are properly drawn. The chief of that bureau signs it and sends it to the Bureau of S & A. The necessary papers are then drawn up for advertising and award. In other cases the <sup>Technical Bureau</sup> bureau itself starts the ball rolling by preparing the

requisition describing what is wanted, the specifications, and all the details necessary to intelligently carry out the purchase and that goes to the B of S & A and they put it in motion. If it is a matter of large quantities of great value they start with newspaper advertising Everything has to be advertised in newspapers unless there is some reason for not doing so.

Q - I am still not clear on this: does the Chief of Naval Operations exercise supervision over the B of S & A or any of the other bureaus? Do things flow to him or is he just the coordinating agency?

A - That is what he is The various bureaus of the Navy Department ~~there~~ were already in existence before ~~the~~ Naval Operations was established, ~~and a little different~~ When setting up the system they did not desire to supplant any of the work of the existing bureaus by the new ~~one~~ <sup>office</sup> They merely wanted to coordinate the bureaus and primarily to insure that the needs of the Fleet were met The purpose is to see that the Fleet is maintained in preparation for war. Just as far as possible ~~the~~ effort is made to avoid any conflict in authority. It is only when a question arises that needs a <sup>office</sup>judication that we go to the ~~Bureau~~ of Naval Operations.

Q - In the War Department The Assistant Secretary of War is charged with supervision with respect to procurement. Does the Assistant Secretary of the Navy have any similar function or does any agency in the Navy have that particular function?

A - No, he has no such authority

Q - Is that exercised by the Chief of Naval Operations?

A - The routine of the procurement of supplies in peace is handled <sup>by</sup> through the Bureau of Supplies & Accounts I should imagine that the procedure for the purchase of supplies and material of that nature must be very similar to the Army where the technical bureau passes on to the <sup>Assistant</sup> Secretary of War papers regarding procurement In the Navy we would pass them to the B of S & A. When it comes to the question of war planning, the Chief of Naval Operations supervises that, although in carrying it out it comes back to the B of S & A or the technical bureaus for the necessary data for war plans. The two systems are so different that it is difficult to draw a parallel.

Q - One of the things that we in the Army were most criticised for in the last war was not knowing our needs We went from an Army of a hundred thousand to one of four million. Is there any system in the Navy to tell your needs under an expansion of that kind?

A - The nature of the problem is such as to make the differences absolutely irreconcilable . The Navy is actually a going concern at the present time You can't build a lot of ships in a year or two. You might enlist a lot of men in the Army but the Navy is bound by its material ~~requirements~~ limits It could only be done at the rate at which ships could be provided Our problem is very much simpler than the War Department problem.

Captain Allen One way of settling the procurement problem in the last war was by the Navy Order There were some two thousand issued during the last war Do you contemplate its use in the next war?

A - It is really a system very similar to seizure - commandeering,

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except that it is minor in its extent We <sup>wish</sup> ~~had~~ to avoid the use of the Navy Order as far as possible If our theory is correct that we can go ahead and procure a large amount of different materials on the outbreak of war under our ordinary system and only throw into the allocation pot those things that are so critical as to make it wise to do it that way, I don't believe we will have to take up the question of Navy orders at once After a short time of operation I am quite sure we will have to go back to the same principle but it will then be handled through the Army and Navy Board We won't attempt to place Navy Orders until they are visid ~~through the Board~~ by the coordinating authority.

Q - Following that line that General Spalding opened up and prefacing my question by the realization that you have plans that are under no circumstances divulged to students, I was in a group of students studying naval logistics and we were attempting to analyse the orange-blue plan on the peninsula I gathered the impression that the Navy does not consider supply an important element of command. In asking questions about the availability of material necessary we were told that would be supplied by the B of S & A I have reference to such things as Naval auxiliary ships No one seemed to know where we would get the available tonnage and in our pitiful efforts we went through such things as the Marine Register to find out about ships of a particular size, and ships that were available on the west coast would either be not in port or commandeered by the enemy and tonnage would not be available not only not to meet auxiliary needs but certainly not available for

the transporting of men and supplies on a 90-day turnaround That brings up the question General Spalding has mentioned It may be difficult to foresee our needs but the difficulty, the problem does not seem to me to be the excuse for not getting ready for it. You are going to be confronted with that situation and where is that data available and where is your assurance that the material will be available for Army needs? Also what about tankers, fuel supply and the tons of food and material for the establishment of bases? Does not someone attempt to foresee those needs?

A - Yes, it is one of the primary logistic problems with which we are concerned at all times There is no satisfactory solution to the tonnage problem because the ships don't exist, That is why we are endeavoring to induce Congress to provide ~~a~~ Naval auxiliary <sup>ships and</sup> That does not solve it because we have to have commercial tonnage to handle any problem.

Captain Allen. All that is being taken care of with the best possible ability in the Navy Department. The whole problem is being gone into and every item including the tonnage of ships, number of ships, places where they will be built, etc., are taken into account and looked after.

Q - That is not a function, then, of the B of S & A , but of the War Plans Division?

A - Yes

Q -But you do coordinate with them?

A - We give them the data and it is their job to find a way to get the necessary tonnage.