

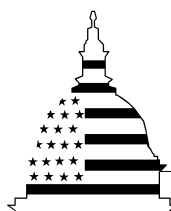
GAO

Report to the Subcommittee on
Readiness, Committee on Armed
Services, House of Representatives

September 2005

DEFENSE LOGISTICS

Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs



G A O

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Report Documentation Page

*Form Approved
OMB No. 0704-0188*

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1. REPORT DATE SEP 2005	2. REPORT TYPE	3. DATES COVERED -			
4. TITLE AND SUBTITLE Better Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs		5a. CONTRACT NUMBER			
		5b. GRANT NUMBER			
		5c. PROGRAM ELEMENT NUMBER			
6. AUTHOR(S)		5d. PROJECT NUMBER			
		5e. TASK NUMBER			
		5f. WORK UNIT NUMBER			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) U.S. Government Accountability Office, 441 G Street NW, Washington, DC, 20548		8. PERFORMING ORGANIZATION REPORT NUMBER			
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)			
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)			
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES The original document contains color images.					
14. ABSTRACT see report					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified		55	



Highlights of [GAO-05-427](#), a report to the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

Why GAO Did This Study

The importance of prepositioned stocks to the U.S. military was highlighted during recent operations in Iraq, as much of the equipment and supplies stored at land sites in the region and aboard prepositioning ships were used to support operations. Long-standing problems in the Department of Defense's (DOD) prepositioning program are systematic of the inventory management issues, and more recently supply chain management issues, that GAO has considered as high-risk areas since 1990.

GAO was asked to review the risks facing DOD's prepositioning programs, including an assessment of (1) the near-term operational risk given the continuing use of these stocks, (2) the sufficiency of DOD and service-level oversight of these prepositioning programs, and (3) whether DOD has developed a coordinated plan for the future of the department's prepositioning programs that would meet the goals of the recently published defense strategy.

What GAO Recommends

GAO is making several recommendations to address the risks of inventory shortfalls and improve DOD's management and oversight of its prepositioning programs.

In commenting on a draft of this report, DOD partially or fully concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-427.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William Solis at (202) 512-8365 or solisw@gao.gov.

DEFENSE LOGISTICS

Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs

What GAO Found

DOD faces some near-term operational risks should another large-scale conflict emerge because it has drawn heavily on its prepositioned stocks to support ongoing operations in Iraq. And, although remaining stocks provide some residual capability, many of the programs face significant inventory shortfalls and in some cases, maintenance problems. For example, the Army has drawn equipment from virtually all of its prepositioned stocks to support operations in Iraq. Some of its storage sites have shortfalls of equipment and sustainment items, like spare parts, and some stocks are in poor condition. Additionally, the Marine Corps has used a significant portion of the stocks downloaded from 5 of its 16 prepositioning ships to support operations in Iraq and it is unclear when this equipment will be refilled. The Air Force is also continuing to use a considerable amount of its prepositioned stocks to support combat operations in Iraq and it is unclear when these stocks will be refilled. The precise operational risk created by these shortfalls is difficult to assess. However, should a new conflict arise in the near term, the combatant commander would likely face difficult operational challenges.

The department and the military services have provided insufficient oversight over DOD's prepositioning programs. This inattention has allowed long-standing problems with determining program requirements and managing inventory to persist. DOD has not enforced its directive that could provide centralized oversight over its prepositioning programs. Officials told us they did not enforce this directive because they were able to provide adequate oversight through other mechanisms. Even if the department had enforced its directive, however, the requirements underpinning some of DOD's prepositioning programs are questionable and the services do not have sufficient information on the inventory level and maintenance condition of some prepositioned stocks. Without reliable information on requirements, inventory levels, and maintenance condition, DOD cannot provide sufficient oversight over its programs, which potentially leaves war fighters at risk of not having needed stocks in the future.

DOD has not developed a coordinated departmentwide plan or joint doctrine to guide the future of its prepositioning programs, despite the heavy use of prepositioned stocks in recent conflicts and the department's plans to rely on them in the future. DOD's recently published defense strategy indicates that prepositioning programs should be more innovative, flexible, and joint. In the absence of a departmentwide plan or joint doctrine to coordinate the reconstitution and future plans for these programs, the services have been recapitalizing stocks and developing future plans without an understanding of how the programs will fit together to meet the evolving defense strategy. Without a framework that establishes priorities for prepositioning among competing initiatives, DOD cannot provide assurances to Congress that the billions of dollars that will be required to recapitalize the stocks and develop future programs will produce programs that operate jointly, support the needs of the war fighter, and are affordable.

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United States Government Accountability Office
Washington, DC 20548

September 6, 2005

The Honorable Joel Hefley
Chairman
The Honorable Solomon P. Ortiz
Ranking Minority Member
Subcommittee on Readiness
Committee on Armed Services
House of Representatives

With fewer troops permanently stationed overseas, prepositioned stocks of equipment and supplies have become an integral part of the Department of Defense's (DOD) ability to project forces into conflict areas faster. The importance of prepositioned stocks to the U.S. military was highlighted during recent operations in Iraq. The military used equipment and supplies stored at land sites in the region and offloaded much of the stocks from its prepositioning ships. Perhaps more importantly, the availability of the sites gave the United States the facilities it needed to assemble forces for combat. Recognizing the importance of the department's prepositioning programs, Congress has made significant investments in these programs. In recent years, the services have collectively used over \$1 billion each year to operate and maintain their prepositioning programs; by fiscal year 2005 this amount had declined to about \$724 million, since a large portion of these stocks were used to support military operations in Iraq. However, billions of dollars in future investments will be needed to recapitalize equipment and develop future programs. The recently published National Defense Strategy indicates that prepositioning will continue to be an important aspect of DOD's defense posture in the future.¹ The strategy establishes several goals for the future of these programs, including the need for the programs to be more flexible and increasingly joint in character.

Each of the military services prepositions combat or support equipment and supplies in order to speed response times of U.S. forces to operating locations and reduce the strain on scarce airlift or slower sealift assets. For example, the Army stores sets of combat brigade equipment and

¹ The Department of Defense, *The National Defense Strategy of the United States of America* (March 2005).

supporting supplies at land sites in several countries and aboard prepositioning ships in the Pacific and Indian Oceans. The Marine Corps stores equipment and supplies for its forces aboard squadrons of maritime prepositioning ships located around the world and at land sites in Norway. The Navy stores equipment and supplies to support ship offloading, deployable hospitals, and construction projects also aboard the maritime prepositioning ships and at land sites around the world. The Air Force stores ammunition at land sites and aboard prepositioning ships and prepositions base support equipment, vehicles, and supporting supplies at several land sites.

In 1998, we reported on problems ranging from poor inventory visibility to unreliable requirements-setting processes in the Army and Air Force prepositioning programs.² Similar problems were more recently identified in numerous after-action assessments of the war in Iraq, and we testified in March 2004 before the Subcommittee about the performance of the Army and Marine Corps' prepositioning programs during Operation Iraqi Freedom.³ We found that although the programs performed well in general, some Army units faced equipment shortfalls and there were instances where certain types of equipment were outdated or did not match unit needs. We stated that DOD may need to rethink its prepositioning programs to ensure that they are compatible with overall transformation goals and the evolving military strategy. Following our testimony, Congress directed the Secretary of Defense to submit a report on its prepositioning plans by October 1, 2005.⁴ Inventory management issues, and more recently supply chain management, have been considered high-risk areas by GAO since 1990. To further assist the Subcommittee in its oversight, you asked that we assess the status and plans for DOD's prepositioning programs in advance of the department's report. Specifically, you asked us to review the risks facing the department's prepositioning programs, including an assessment of: (1) the near-term operational risk given the continuing use of these stocks, (2) the sufficiency of DOD and service-level oversight of these prepositioning programs, and (3) whether DOD has developed a coordinated plan for the

² GAO, *Military Prepositioning: Army and Air Force Programs Need to Be Reassessed*, [GAO/NSIAD-99-6](#) (Washington, D.C.: Nov. 16, 1998).

³ GAO, *Military Prepositioning: Observations on Army and Marine Corps Programs During Operation Iraqi Freedom and Beyond*, [GAO-04-562T](#) (Washington, D.C.: Mar. 24, 2004).

⁴ Pub. L. No. 108-375, § 1046, (2004).

future of the department's prepositioning programs that would meet the goals of the recently published defense strategy.

To assess the near-term operational risk given the continuing use of prepositioned stocks, we obtained reports prepared by the military services on the inventory levels of their prepositioned stocks compared to program requirements⁵ and discussed the potential near-term operational and long-term program risks associated with inventory shortfalls and maintenance deficiencies. We visited selected prepositioning sites and reviewed available maintenance reports or other data used by the services to measure the condition of the prepositioned stocks. To assess the sufficiency of DOD and the services' oversight of these programs, we discussed the processes used by DOD to oversee its prepositioning programs with officials from the Office of the Secretary of Defense, the Joint Staff, and the military services. To assess whether DOD has developed a coordinated plan for the future of its prepositioning programs that would meet the goals of the recently published defense strategy, we reviewed the recently published National Defense Strategy and discussed the future direction of the department's prepositioning programs with officials in the Office of the Secretary of Defense, the Joint Staff, and the military services. We also collected and analyzed information from the military services on the future plans for their prepositioning programs. We also discussed the time frames and costs needed to repair or replace prepositioned stocks used in recent military operations. We conducted our work from July 2004 through May 2005 in accordance with generally accepted government auditing standards. Our assessments of data reliability revealed significant concerns that are discussed later in the report. A more detailed discussion of our scope and methodology is contained in appendix II.

Results in Brief

DOD faces some near-term operational risks should another large-scale conflict emerge because it has drawn heavily on its prepositioned stocks to support ongoing operations in Iraq. And, although remaining stocks provide some residual capability, many of the programs face significant inventory shortfalls and in some cases, maintenance problems.⁶ There is

⁵ We will refer to stocks on hand as compared against required levels as "inventory fill" in this report.

⁶ As discussed later in this report, reliable data needed to assess inventory fill and maintenance condition were unavailable in many cases. Therefore, the precise readiness of prepositioned stocks and the impact of any shortfalls are difficult to determine.

currently no strategy in place to mitigate the operational risks created by inventory shortfalls and poor maintenance condition of prepositioned equipment. Combatant commanders rely on prepositioned stocks being available and in good maintenance condition; otherwise U.S. forces must bring needed stocks with them or spend valuable time repairing equipment. The current status of the services' programs is summarized as follows:

- The Army has drawn equipment from virtually all of its prepositioned stocks to support operations in Iraq and little of the equipment has been returned. Some stocks are currently stored in South Korea, or are afloat on prepositioning ships near Guam/Saipan and Diego Garcia. However, these sites have shortfalls of equipment and sustainment items like spare parts. Some of these shortfalls have existed in these and other Army programs for years, however, and are not attributable to the war in Iraq. In addition, we found that some of these stocks were in poor maintenance condition, especially those stored in South Korea.
- The Marine Corps is currently using a significant portion of the stocks offloaded from 5 of its 16 prepositioning ships to support ongoing operations in Iraq. It is unclear when this equipment will be returned to prepositioned stocks because much of this equipment will be left in Iraq to support the continuing deployment of Marine Corps forces there. Conversely, while the Navy used prepositioned assets like field hospitals in Iraq, it currently reports few shortfalls.
- The Air Force also has a reduced capability in its prepositioned stocks because it is continuing to use a considerable amount of these stocks to support combat operations in both Afghanistan and Iraq. For example, it used approximately 43 percent of the total number of its prepositioned bare base sets⁷ to house deployed forces supporting Operations Enduring Freedom and Iraqi Freedom. It is unclear when these stocks will be refilled. The precise operational risk created by these shortfalls is difficult to assess. Operation Iraqi Freedom revealed significant issues with the status of prepositioned stocks, such as shortages in spare parts and less-than-modern equipment. These problems still exist today. While the military planners we spoke with told us that they would find a way to work around the shortfalls, they offered little in the way of concrete plans. Should a new conflict arise in the near term—especially one where U.S. forces did not control the timing—the combatant commander would likely face even more difficult operational challenges.

⁷ The term “bare base sets” refers to tents for troops, latrines, kitchens, aircraft hangers, maintenance shops, generators, and environmental controls. The sets support early-arriving combat forces and are especially critical in austere environments.

DOD and the military services have provided insufficient oversight over the department's prepositioning programs. This inattention has allowed long-standing problems with determining program requirements and managing inventory to persist. Management principles, such as those embraced in the Government Performance and Results Act of 1993, provide federal agencies with a framework for effectively implementing and managing programs.⁸ Management principles include sufficient information to support sound decision making and enable Congress to provide proper oversight. However, DOD has not implemented its directive on war reserve materiel policy that could provide centralized oversight over its prepositioning programs.⁹ Officials from the Office of the Secretary of Defense told us they did not implement this directive because they did not believe they had the authority to enforce its provisions. In addition, officials told us they were able to provide adequate oversight over the department's prepositioning programs through other mechanisms, such as reviewing quarterly readiness assessments and the services' budget submissions. While these mechanisms provide DOD with important information on gaps in capabilities and resource allocations, they provide only a vague and broad description of shortfalls or readiness problems and, therefore, are not effective as an oversight tool. Based on our analysis, even if the department had implemented its directive, the requirements underpinning some of DOD's prepositioning programs are questionable and the Army and Air Force do not have reliable information on the inventory fill and maintenance condition of some prepositioned stocks. For example, as recently as February 2005, information contained in the Army's readiness reporting system showed the maintenance condition of prepositioned equipment in South Korea to be at a high level. However, during our work we found that much of the Army's prepositioned combat equipment stored in South Korea had not been properly maintained. Without reliable information on requirements, inventory levels, and maintenance condition, DOD cannot provide sufficient oversight over its programs, which potentially leaves war fighters at risk of not having needed stocks in the future.

DOD has not developed a coordinated departmentwide plan or joint doctrine to guide the future of its prepositioning programs, despite the heavy use of prepositioned stocks in recent conflicts and the department's

⁸ Pub. L. No. 103-62.

⁹ DOD Directive 3110.6, *War Reserve Materiel Policy* (Nov. 9, 2000—certified current as of Dec. 1, 2003).

plans to rely on them in the future. The 2005 National Defense Strategy specifically notes the importance of prepositioning in the future and indicates that prepositioning programs should be more innovative, flexible, and joint in character, but provides few details on how it will accomplish these goals. The independent Overseas Basing Commission recently echoed the continued importance of the department's prepositioning programs in the future. DOD officials told us that the future of its prepositioning programs is unclear and dependent on the outcome of several interrelated studies ongoing within the department, especially reviews of mobility and an additional study being led within the department on overseas presence and basing. In the absence of a departmentwide plan or joint doctrine to coordinate the reconstitution¹⁰ and future plans for these programs, the military services have been recapitalizing some stocks and developing future plans for their programs without a clear understanding of how they will fit together to meet the evolving defense strategy. This service-centric approach to prepositioning is out of step with the department's goals of transforming the military to be more joint and expeditionary, and potentially misses opportunities to achieve greater efficiencies where service programs overlap in making future investment decisions. For example, the Army and Air Force maintain separate service-centric base programs, although the basic capabilities of these programs are the same. Furthermore, the Navy and Marine Corps are proposing multibillion dollar procurement programs to support new concepts, such as sea basing, while the Defense Logistics Agency is proposing floating depots to resupply troops in theater. Without an overarching framework that establishes priorities for prepositioning among competing initiatives and identifies the resources required to implement the future programs, DOD cannot provide assurances to Congress that the billions of dollars that will be required to recapitalize the stocks and develop future programs will ultimately produce programs that will operate jointly, support the needs of the war fighter, and are affordable.

We are making several recommendations to address the risks of inventory shortfalls and improve DOD's management and oversight of its prepositioning programs. In commenting on a draft of this report, DOD

¹⁰Reconstitution includes the costs to clean, inspect, maintain, replace, and restore equipment to the required condition at the conclusion of a contingency operation or unit deployment.

partially or fully concurred with our recommendations and indicated that it had initiated several actions to address our recommendations.

Background

Prepositioning is an important part of DOD's overall strategic mobility framework. It allows DOD to field combat-ready forces in days rather than the weeks it would take if the forces and all necessary equipment and supplies had to be brought from the United States to the location of the conflict. The U.S. military can deliver equipment and supplies in three ways: by air, by sea, or by prepositioning. While airlift is fast, it is expensive to use and impractical for moving all of the material needed for a large-scale deployment. Although ships can carry large loads, they are slower than airlift. Prepositioning lessens the strain of using expensive airlift and reduces the reliance on slower sealift deliveries. Concerned about the reduction in U.S. forces overseas and their ability to move forces in the time required to resolve potential conflicts quickly, the services have expanded prepositioning programs ashore and on ships in potential areas of conflict.

The military services have prepositioning programs to store combat or support equipment and supplies near areas with a high potential for conflict and to speed response times and reduce the strain on other mobility assets. The Defense Logistics Agency prepositions food and bulk fuel to support a range of contingency operations and training exercises. The Special Operations Command relies on the military services to preposition common support items for its forces, such as base support items and vehicles.

The Army's program involves three primary categories of stocks: combat brigade sets, operational projects, and war reserve sustainment stocks stored at land sites and aboard prepositioning ships around the world. The Marine Corps also prepositions equipment and supplies aboard prepositioning ships and at land sites in Norway. The Navy's prepositioning efforts are comparatively small, used mainly to support the Marine Corps' prepositioning program and deploying forces. The Navy prepositions equipment and supplies at land sites and aboard the maritime prepositioning ships. The Air Force prepositions stocks of war reserve equipment and supplies to meet initial contingency requirements and to sustain early deploying forces. The Air Force's prepositioned war reserve stocks include bare base sets; vehicles; munitions; and a variety of consumable supplies, such as rations, fuel, support equipment, aircraft accessories, and medical supplies. DOD's prepositioning programs are briefly described in the table below.

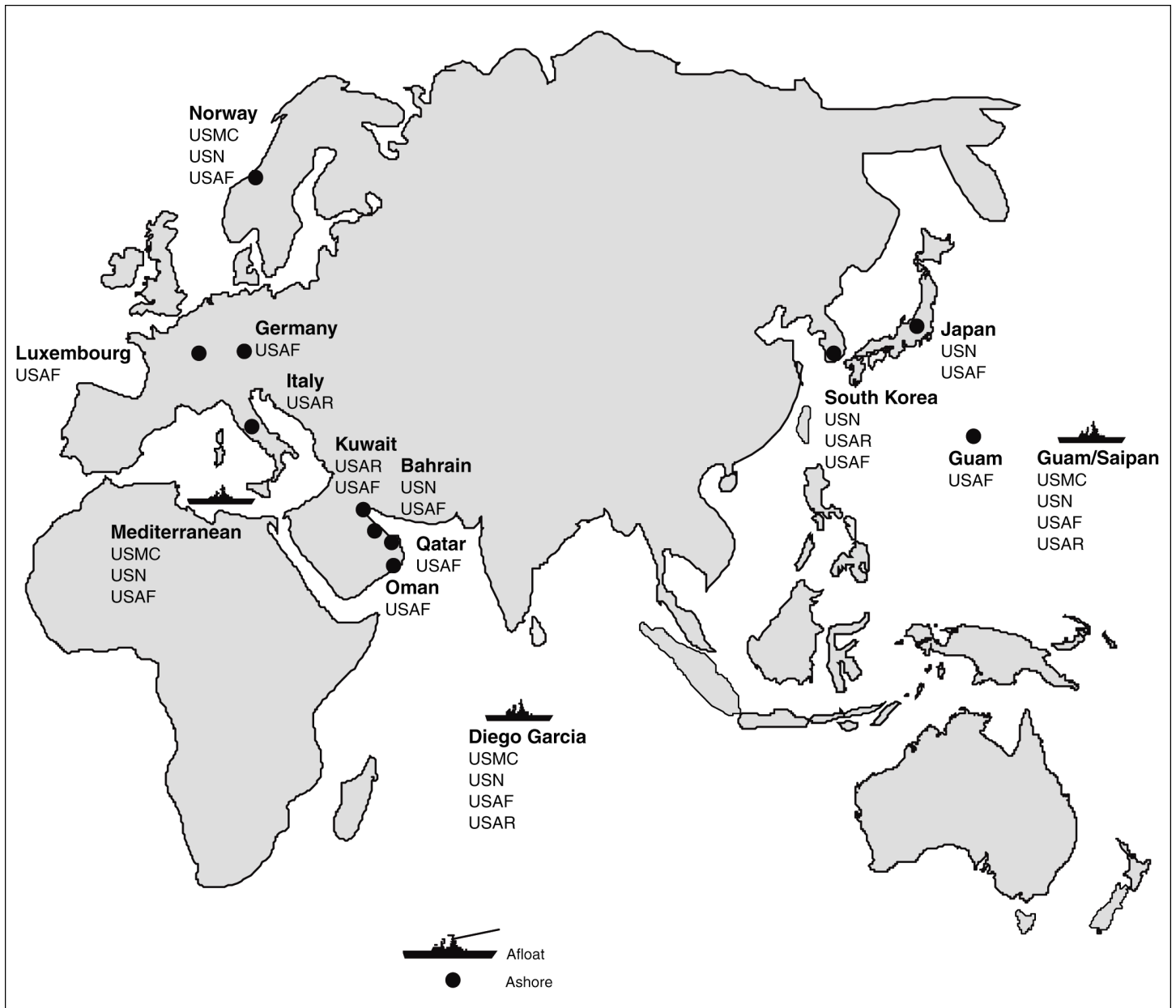
Table 1: Description of DOD’s Prepositioning Programs

Service	Types of stocks	Description
Army	Combat brigade sets	<ul style="list-style-type: none"> • Stored at land sites and aboard prepositioning ships • Sets are designed to support 3,000 to 5,000 soldiers • Heavy weaponry such as tanks and Bradley fighting vehicles • Support equipment such as trucks and High Mobility Multi-purpose Wheeled Vehicles • Spare parts and other sustainment stocks to support the early stages of a conflict
	Sustainment stocks	<ul style="list-style-type: none"> • Stored at land sites and aboard prepositioning ships • Replacement equipment for losses in early stages of operations or until resupply is established • Includes major end-items such as aircraft engines and tracked vehicles • Secondary items such as meals, clothing, petroleum supplies, construction materials, ammunition, medical materials, and repair parts
	Operational project stocks	<ul style="list-style-type: none"> • Stored at land sites and aboard prepositioning ships • Authorized material above unit authorizations designed to support Army operations or contingencies • Equipment and supplies for special operations forces, bare base sets, petroleum and water distribution, mortuary operations, and prisoner-of-war operations
Navy/Marine Corps	Maritime prepositioning force	<ul style="list-style-type: none"> • Consists of 16 prepositioning ships organized into three squadrons • Each squadron supports about 15,000 Marines for up to 30 days • Includes combat systems, communications systems, construction equipment, munitions, medical supplies, and sustainment stocks
	Prepositioning program—Norway	<ul style="list-style-type: none"> • Several land sites located in central Norway • Designed to support 13,000 Marines for up to 30 days • Includes vehicles, weapons, munitions, rations, and other equipment that will be used to support any geographic combatant command
	Navy prepositioned assets	<ul style="list-style-type: none"> • Assets are stored aboard maritime prepositioning ships and at land sites • Equipment to offload prepositioning ships, including material handling equipment, ramps and barges, landing and amphibious craft, and bulk fuel • Construction equipment such as cranes, forklifts, trucks, and tractor trailers • Includes six 500-bed fleet hospitals^a
Air Force	Bare base sets	<ul style="list-style-type: none"> • Base operating support equipment used to house forces, and equipment and supplies needed to support airfield operations
	Vehicles	<ul style="list-style-type: none"> • Includes trucks, buses, and High Mobility Multi-purpose Wheeled Vehicles
	Other support equipment and supplies	<ul style="list-style-type: none"> • Includes materiel handling equipment, rations, fuel, fuel support equipment, aircraft accessories, and medical supplies at land sites and munitions aboard four prepositioning ships

Source: GAO.

^aThe Navy is in the process of transitioning from 500-bed fleet hospitals to smaller modular units. The military services preposition these stocks of equipment and supplies at several land sites and aboard prepositioning ships around the world. Most of the military services preposition equipment and supplies in southwest Asia, the Pacific theater, Europe, and aboard prepositioning ships. Figure 1 shows the locations of DOD’s prepositioned stocks.

Figure 1: Locations of Army (USAR), Marine Corps (USMC), Navy (USN), and Air Force (USAF) Prepositioned Stocks



Source: GAO analysis.

Note: DOD also prepositions smaller stocks of equipment and supplies at other locations not identified on this map.

Inventory Shortfalls and Poor Equipment Condition Leave Many of DOD's Prepositioning Programs at Risk

DOD faces some near-term operational risks should another large-scale conflict emerge due to inventory shortfalls and poor maintenance condition of some of its prepositioned stocks. For example, the department has drawn heavily on its prepositioned stocks to support ongoing operations in Iraq and relatively little has been reconstituted. In addition, while remaining stocks provide some residual capability, many have significant inventory shortfalls and in some cases, maintenance problems. Combatant commanders rely on prepositioned stocks being available and in good maintenance condition; otherwise U.S. forces must bring needed stocks with them or spend valuable time repairing equipment. Since these stocks are typically used in the early stages of a conflict, it is important for DOD to determine the operational risk associated with any shortfalls. Operation Iraqi Freedom revealed significant issues with the status of prepositioned stocks, such as shortages in spare parts and less-than-modern equipment. The same problems continue to exist today in some programs.

The Army Is Reporting Low Inventory Fill and Poor Maintenance Condition for Some Prepositioned Stocks

The Army is currently reporting low inventory fill for the combat brigade sets, operational project stocks, and sustainment stocks that comprise its prepositioning program, and some stocks not used in recent operations are in poor maintenance condition. For example, the Army used much of the equipment and supplies associated with the combat brigade sets stored at land sites in Kuwait and Qatar and aboard prepositioning ships afloat near Diego Garcia to support operations in Iraq. In addition, the Army used some equipment from its other prepositioned stocks in Europe, South Korea, and from other prepositioning ships located near Guam/Saipan.

The Army is also reporting low inventory fill for its operational projects and sustainment stocks. The Army has a total of 14 operational projects that contain equipment and supplies needed for unique mission requirements, such as special operations forces, mortuary operations, and prisoner handling. Sustainment stocks provide replacement equipment and supplies, such as repair parts, petroleum items, and tracked vehicles, until normal resupply channels are established. The Army is reporting inventory fills for operational projects and sustainment stocks—approximately 26 percent and 20 percent respectively—that are considerably lower than the program requirements. Some of the Army's shortfalls have been long-standing, however, including shortfalls in critical

areas like spare parts, and are not attributable to the war in Iraq. For example, we reported in 2003 that DOD experienced equipment readiness problems because of a lack of key spare parts.¹¹ Table 2 provides an overview of the inventory levels, maintenance condition, and operations and maintenance funding of the Army's prepositioned stocks.

Table 2: Current Status and Operations and Maintenance Funding for Army Prepositioned Stocks at Key Locations as of January 2005

Dollars in millions

Location	Current status	Total funding fiscal years 2000-2005
Europe	Low inventory fill, with limited combat equipment, operational projects, and other stocks stored at sites in Germany, Italy, Luxembourg, and the Netherlands. Some stocks were taken out to support operations in Iraq, while stocks from Italy were used to temporarily refill the prepositioning ships now positioned near Diego Garcia.	\$277.6
Kuwait/Qatar	Equipment in use in Iraq and storage warehouses in Qatar have been converted to become Central Command's regional headquarters.	\$304.2
South Korea	As of March 2005, the brigade set had most of its authorized equipment on hand, though a recent maintenance inspection revealed maintenance deficiencies. The Army plans to correct the maintenance problems with the set in September 2005, as well as reconfigure it to be consistent with the Army's new modular configuration.	\$245.9
Afloat near Diego Garcia and Guam/Saipan	Two squadrons, each with a partial brigade set, are available.	\$1,835.8

Source: GAO analysis of Army data.

Some stocks that were taken from prepositioned storage locations and used during operations in Iraq are either still in use, or have experienced extreme wear and tear. For example, the Army continues to use equipment taken from prepositioned stocks to support its units in Iraq, delaying the reconstitution and redistribution of the equipment. According to Army officials, this equipment may not be returned to the prepositioned stocks

¹¹ GAO, *Defense Inventory: The Army Needs a Plan to Overcome Critical Spare Parts Shortages*, GAO-03-705 (Washington, D.C.: June 27, 2003).

because the Army is giving priority to transforming its forces into more deployable and expeditionary brigade-based formations and may use formerly prepositioned equipment to fill additional equipment requirements associated with the new formations. Importantly, this heavy stress on equipment is a problem across much of the Army's equipment that has been used in Iraq, not just the equipment taken from prepositioned stocks.

We also found that some other prepositioned stocks in storage were in poor maintenance condition, even though they had not been used in Operation Iraqi Freedom. For example, during a March 2005 visit to Camp Carroll, South Korea, we found that some of the Army's prepositioned stocks at this location were in poor maintenance condition and that much of the equipment was overdue for periodic maintenance. Army officials confirmed that required cyclic maintenance had not been performed on the equipment in the brigade set, operational projects, and sustainment stocks for several years. To address this, the Army has stepped up its maintenance efforts by bringing in contractor support and setting up temporary maintenance facilities to assist in repairing the equipment to standard. Moreover, as shown in figure 2, certain stocks were stored outside and had been for many years and corrosion was evident on some pieces of equipment. Corrosion can significantly affect the readiness of prepositioned equipment: DOD spends an estimated \$20 billion each year to repair the damage to military equipment and infrastructure caused by this problem. In this regard, we have called for improvements to DOD's long-term corrosion strategy, including better planning and establishment of a long-term funding mechanism.¹² Because of continuing concerns over corrosion, we are currently conducting a congressionally directed review of its impact on DOD's overall prepositioned assets.

¹² See GAO, *Defense Management: Opportunities to Reduce Corrosion Costs and Increase Readiness*, [GAO-03-753](#) (Washington, D.C.: July 7, 2003), and *Defense Management: Opportunities Exist to Improve Implementation of DOD's Long-Term Corrosion Strategy*, [GAO-04-640](#) (Washington, D.C.: June 23, 2004).

Figure 2: Sustainment Stocks Stored Outside at Camp Carroll, South Korea



Source: GAO.

The Army also maintains European prepositioning storage sites in Germany, Italy, Luxembourg, and the Netherlands. However, few stocks remain there because they have been drawn out to support operations in other locations, including Bosnia and Iraq. The mission in Europe has steadily declined since the European drawdown of the early 1990s, and the remaining sites are the last remnants of the Army's large-scale prepositioning program developed during the Cold War. Army officials told us that they are currently using the local national workforce at these locations to perform other maintenance workloads, including fixing equipment from Iraq. In past reports, we have recommended that the Army align its workforce and facilities to meet the reduced post-Cold War mission in Europe.¹³ Officials told us that they have reduced infrastructure in response to our recommendations, and are contemplating further reductions. In Italy, however, the Army has requested about \$55 million to construct new storage and maintenance facilities that it has said will become the centerpiece of its land prepositioning in the region. This region still receives considerable funding, as shown in table 2. The Army

¹³ GAO, *Army War Reserves: DOD Could Save Millions by Aligning Resources With the Reduced European Mission*, [GAO/NSIAD-97-158](#) (Washington, D.C.: July 11, 1997) and *Military Prepositioning: Army and Air Force Programs Need to Be Reassessed*, [GAO/NSIAD-99-6](#) (Washington, D.C.: Nov. 16, 1998).

spent nearly \$290 million during fiscal years 2000-2004, even though the sites have had an uncertain mission and reduced stocks for much of that time.

The Marine Corps Is Reporting Low Inventory Fill for Some Prepositioned Stocks, While the Navy Reports Few Shortfalls

The Marine Corps has offloaded about 75 percent of the major end-items stored on 5 of its 16 prepositioning ships to support combat operations in Iraq. The remaining 11 prepositioning ships are reporting inventory fills of 95 percent or greater and good maintenance condition for major end-items and sustainment stocks. The Marine Corps also used some of its prepositioned major end-items stored at several land sites in Norway to support operations in Iraq and Afghanistan and to fill shortfalls at Marine Corps bases and on some of the prepositioning ships. As a result, these sites are currently reporting an inventory fill of about 71 percent.

It is unclear when this equipment will be returned to prepositioned stocks because, according to a Marine Corps official, a large portion of the Marine Corps' equipment offloaded from prepositioning ships to support the deployment of the I Marine Expeditionary Force to Iraq is currently being kept in Iraq to support the rotation of the II Marine Expeditionary Force. In a recent congressional testimony on the status of its military equipment, a Marine Corps official reported that in addition to higher usage rates, equipment is being used under extreme conditions which have increased the maintenance requirements. For example, to date, more than 1,800 equipment items have been destroyed and an additional 2,300 damaged equipment items will require depot maintenance.¹⁴

For the Norway stocks, the Marine Corps is in the process of updating the requirements for its program there so that it will be capable of providing a global response capability to any regional combatant commander. During our September 2004 visit to the prepositioning sites in Norway, we discussed this change in the scope of the program and Marine Corps officials confirmed that the facilities in Norway can support any combatant commander and the stocks are globally deployable via air, rail, and sea. This shift in scope is in response to concerns about the continued

¹⁴ Statement of the Deputy Commandant for Plans, Policies, and Operations, United States Marine Corps, before the Subcommittee on Readiness, House Armed Services Committee, Concerning Requirements to Reconstitute Military Equipment, April 6, 2005.

relevance of land stocks in Norway.¹⁵ According to Marine Corps officials, however, these stocks are important to Norway, cost relatively little to maintain (about \$3.9 million in operational costs per year), are stored in excellent facilities, and can be taken out to respond to crises as needed.

The Navy is reporting high inventory fill for its prepositioned assets. According to Navy officials, most of its equipment used to offload the maritime prepositioning ships was not used in direct combat and has not required extensive reconstitution, and other equipment was available to backfill the field hospitals and construction forces deployed to support operations in Iraq.

The Air Force Is Reporting Low Inventory Fill and Some Stocks in Poor Condition

The Air Force has used a considerable amount of its prepositioned equipment and supplies to support combat operations in Afghanistan and Iraq and, as a result, the inventory fill of many of these stocks is low. For example, it used approximately 43 percent of the total number of its prepositioned bare base sets to support Operations Enduring Freedom and Iraqi Freedom, and due to the extreme desert conditions, many of these sets will have to be replaced. A U.S. Central Command, Air Forces, official told us that the command is continuing to issue prepositioned base operating support equipment and vehicles to forces that have been deployed to the area of responsibility. While the Air Force is working on refilling its prepositioned equipment and supplies, if a conflict arises in the near term, these stocks may not be available for use as it is unclear when these stocks will be refilled.

In addition, the Air Force is experiencing shortfalls in its inventory of fuel bladders. These bladders are used to store fuel for Air Force aircraft at austere operating locations. Air Force officials stated that to support combat operations in Iraq, Central Command, Air Forces, has used a considerable number of its prepositioned war reserve fuel bladders. As combat operations continue, the Air Force is depleting its supply of these bladders, and officials have characterized the impact of potential shortfalls in these bladders as its “highest operational risk.” At the same time, the Air Force is undergoing an initiative to modernize its fuel support equipment, including its fuel bladders. As part of this initiative, the Air Force

¹⁵ Naval Audit Service: *The Norway Air-Landed Marine Expeditionary Brigade Prepositioning Program*, N2003-0079 (September 2003) and Final Report of the Commission on Review of Overseas Military Facility Structure of the United States (Arlington, Va.: Aug. 15, 2005).

requested that Central Command, Air Forces, officials not purchase the type of fuel bladders that had previously been used. To mitigate the risk, the Air Force has allowed Central Command, Air Forces, to purchase some replacement fuel bladders; however, it is unclear when its modernization initiative will be fully implemented.

During our review, we were also told that some bare base sets that the Air Force prepositions at Andersen Air Force Base on Guam are in poor maintenance condition and are unusable. According to a Pacific Air Forces official, the sets stored at Andersen Air Force Base have deteriorated due to a lack of required maintenance. Air Force maintenance personnel are responsible for the war reserve stocks prepositioned at this location as an additional duty to the maintenance of operating stocks also stored at the base. The official told us that the quality of maintenance performed by Air Force personnel on the war reserve bare base sets has been a long-standing problem at this location. Air Force officials told us that bare base sets stored in Southwest Asia and South Korea did not have these same maintenance problems because contractors have been hired to maintain these sets.

When we discussed these issues with Air Force officials, they told us that they believed they could overcome shortfalls and any maintenance problems in the event of a conflict by using supplemental funding or cross-leveling equipment from other theaters. Additionally, Pacific Air Forces officials told us that they would be able to obtain some vehicles from countries where they will operate by using contracts already in place.

Shortfalls in Inventory Fill Exist for Stocks Prepositioned to Support Special Operations Forces

The Army, Air Force, and Navy preposition common support equipment and supplies for use by their special operations forces.¹⁶ However, the services have traditionally underfunded these stocks and, as a result, inventory shortfalls exist in most of these stocks. Lessons learned from recent military operations in Iraq further highlighted the need for special operations forces to have stocks of prepositioned equipment and supplies to support these forces in multiple austere environments. Special Operations Command officials told us that special operations forces are often among the first units to deploy and, therefore, have a need to draw

¹⁶ Common support equipment and supplies include items adopted by a military service for use by its own forces and their activities, including standard issue military items, base support items, and the supplies and services provided by the military service to support and sustain its own forces.

prepositioned stocks. The department recognized this and recent guidance issued by DOD directs the military services to fully fund inventory shortfalls in these stocks of common items prepositioned to support special operations forces.¹⁷ The military services have agreed to provide funding for prepositioned stocks for special operations forces beginning in fiscal year 2006.

Shortfalls Create Some Operational Risks

Since prepositioned stocks are integral to the military's war plans, shortfalls in these programs create risks that combatant commanders would have to mitigate in the event of a new conflict. It could cost time or manpower to fill shortages or fix equipment. Since these stocks are typically used in the early stages of a conflict, it is important for DOD to determine the operational risk associated with any shortfalls. The military planners we spoke to told us that they would find a way to work around the shortfalls, but offered little in the way of concrete plans.

Operation Iraqi Freedom revealed significant lessons for DOD's prepositioning managers, especially in the Army, such as shortages in spare parts and less-than-modern equipment. Prior to the onset of combat operations in Iraq, the Army had significant shortages in its prepositioned stocks, especially in spare parts. The Army overcame these shortfalls by having the units that were drawing the prepositioned stocks bring their own spare parts, in addition to obtaining spare parts from nondeploying units.¹⁸ However, according to the Army's after-action assessments of the war, the Army had shortages in these and other items, including food, water, fuel, construction materials, and ammunition. The available stocks of these supplies were insufficient to meet sustainment requirements at the outset of the deployment and it took the supply chain months to respond. At the time of our work, we found that many of the same shortfalls that existed in the Army's program are still evident, and may be getting worse. For example, as of mid-March 2005, the Army had only 21 percent of its authorized prepositioned repair parts on hand in South Korea. According to Army officials, if a military conflict should arise there,

¹⁷ Department of Defense, *(U) Joint Programming Guidance for Fiscal Years 2006-2011*, June 2004.

¹⁸ GAO, *Military Prepositioning: Observations on Army and Marine Corps Programs During Operation Iraqi Freedom and Beyond*, [GAO-04-562T](#) (Washington, D.C.: Mar. 24, 2004).

their strategy to mitigate these shortfalls would be to cross-level required parts from available sustainment stocks as needed.

Although the precise operational risks created by shortfalls in the Marine Corps and Air Force's prepositioned stocks are difficult to assess, officials from these services told us that these risks can be managed. This is because the Marine Corps has kept about two-thirds of its prepositioned combat capability available for potential contingencies and that equipment is reported to be in good condition. Moreover, Air Force officials stated that if a conflict arises, they will be able to fill shortfalls and repair equipment as needed by using supplemental funding and obtaining some vehicles and other stocks in other countries through contracts already in place. Air Force officials stated, however, that this presumes that they will have the time and necessary funding available to address the shortfalls.

Combatant commanders rely on prepositioned stocks being available and in good maintenance condition. Prior to Operation Iraqi Freedom, the combatant commander built up the required forces over a period of months, and had time to overcome any inventory shortages in the prepositioned stocks or resolve any maintenance issues with prepositioned equipment. However, should a new conflict arise in the near term—especially one where U.S. forces did not control the timing—the combatant commander would likely face even more difficult operational challenges. During our visit to South Korea, officials told us that their strategy to mitigate maintenance issues with the Army's prepositioned stocks stored there, should a conflict arise, would be to surge maintenance personnel as needed to fix equipment, use arriving personnel to assist in maintenance execution, and cross-level required parts from available sustainment stocks. Officials acknowledged, however, that it could take longer than planned to get the equipment ready in the event of a conflict.

Another factor making it difficult to assess the potential operational risks is the lack of sound information available to assess and manage DOD's prepositioning programs. Such programs need valid inventory requirements that meet the needs of the war fighters, and reliable information about inventory levels and maintenance condition for those requirements. These long-standing management problems are discussed in the next section of this report.

DOD and Some of the Military Services Have Provided Insufficient Oversight Over Their Prepositioning Programs

Oversight over prepositioning programs by DOD and the military services has been insufficient, despite the importance of prepositioning to the military. This inattention has allowed long-standing problems to linger. Management principles, such as those embraced in the Government Performance and Results Act of 1993,¹⁹ provide federal agencies a framework for effectively implementing and managing programs. Management principles include sufficient information to support sound decision making and enable Congress to provide proper oversight. However, DOD has not adhered to its directive on war reserve materiel policy that could provide oversight over its prepositioning programs. In addition, service oversight has been inadequate, particularly in the Army's processes for determining requirements and the Army and Air Force processes for assessing inventory shortfalls and maintenance condition. This limited oversight unnecessarily leaves the programs at risk of being unavailable when required and lacking the right mix of equipment and supplies to support the war fighter.

Oversight Has Been Insufficient

The overarching departmental guidance is contained in DOD directive 3110.6, updated in December 2003, which provides policy guidance on the department's war reserve materiel program and assigns oversight and accountability responsibilities within the department. The secretaries of the military departments, directors of defense agencies, and the combatant commands are responsible for setting program requirements and the Defense Logistics Agency has responsibility for storage and distribution of the stocks. At the department level, their responsibilities are as follows:

- The Undersecretary of Defense for Acquisition, Technology, and Logistics is required to assess the adequacy of war reserve stocks annually.
- The Undersecretary of Defense for Policy is required to provide planning guidance that includes war reserve requirements.
- The Chairman of the Joint Chiefs of Staff is required to validate the operational requirements of the geographic combatant commands.

A provision of the directive related to oversight states that the department is to assess the adequacy of its war reserve stocks. In order to assess adequacy, the directive requires the secretaries of the military departments and the directors of defense agencies to submit annual reports on war reserve materiel levels to the Under Secretary of Defense for Acquisition,

¹⁹ Pub. L. No. 103-62.

Technology, and Logistics within the Office of the Secretary of Defense. Officials within the Deputy Under Secretary of Defense for Supply Chain Integration told us that this oversight responsibility had been delegated to their office. However, the directive has not been implemented and, therefore, the reporting requirement contained in the directive has not been enforced. Neither the services nor the Under Secretary's office could provide us with copies of these reports. Officials told us that they had suspended this reporting requirement in 2002; however, the directive had been updated in late 2003 and the reporting requirement was maintained. Officials also stated that although they had been given responsibility for implementing the oversight provisions of the directive, since their office primarily deals with only sustainment issues, they did not have sufficient authority or personnel to meet the requirements stated by the directive, specifically to assess the adequacy of the services' prepositioning programs.

Officials further told us they did not believe the reporting requirement in the directive was necessary because they were able to provide adequate oversight of the department's prepositioning programs through other mechanisms, such as reviewing the services' budget submissions and quarterly readiness assessments. Quarterly readiness reviews and integrated priority list submissions allow the combatant commanders and others to identify issues that have reached critical thresholds that may limit war-fighting capabilities. These assessments, some of which have included issues related to prepositioned stocks, are briefed to DOD's senior leadership and may be included in a legislatively mandated quarterly readiness report to Congress. However, we have previously reported that these reports provide a vague and broad description of readiness problems and, therefore, are not effective as an oversight tool.²⁰ Furthermore, officials at one combatant command told us that these assessments do not provide a sufficient mechanism to determine the inventory readiness of stocks prepositioned in their area of responsibility. Also, a DOD official told us that they review the budget submissions from the military services and approve how much the services allocate to their prepositioning programs. In our view, while such mechanisms provide the department with important information on gaps in capabilities and

²⁰ GAO, *Military Readiness: Reports to Congress Provide Few Details on Deficiencies and Solutions*, [GAO/NSIAD-98-68](#) (Washington, D.C.: Mar. 30, 1998) and *Military Readiness: New Reporting System Is Intended to Address Longstanding Problems, but Better Planning is Needed*, [GAO-03-456](#) (Washington, D.C.: Mar. 28, 2003).

resource allocation, they do not constitute sufficient, sustained program oversight.

Such oversight problems have existed for years and several prior reports have cited the lack of centralized oversight and direction in the department's repositioning programs, particularly in the Army. For example, the Institute for Defense Analyses concluded in a 1997 report that the military services do not coordinate their war reserve planning among themselves or with the combatant commanders. The report specifically called on the Army to reinvent the entire war reserve process, and work with the unified combatant commands and other Army commands to build credible requirements and better planning factors. The Army Materiel Command Inspector General also reported in 2001 that the Army and the combatant commands had not uncovered, mitigated, or elevated issues about the readiness of the Army's repositioning programs to the department level. Further, the report stated that the lack of centralized oversight fostered inefficiencies and impacted the effectiveness of the Army's repositioning program.

Lack of Valid Requirements and Insufficient Information Makes Oversight Difficult

The Army does not have sound requirements for some of its repositioning programs and both the Army and Air Force do not have sufficient information about inventory levels and maintenance condition, making oversight difficult. Without valid requirements underpinning the services' repositioning programs, it is impossible to reliably assess the impact of reported shortfalls or equipment in poor maintenance condition. As a result, the services cannot assess the overall readiness of their repositioning programs, which potentially leaves war fighters at risk of not having needed stocks in the future. In addition, assessing the readiness of repositioned stocks requires reliable information about inventory levels and maintenance condition. Inventory levels are measured against requirements set by the services, while maintenance condition describes whether on-hand items work well enough to perform their mission. Because repositioned stocks are intended to be used in the early stages of a conflict, the stocks need to be completely filled and in working order. Otherwise, the purpose of repositioning is likely defeated. Such problems with questionable requirements and insufficient information are long-standing, and make it difficult for the services and the department to assess readiness, provide oversight, and support sound decision making about where to make program investments.

Questionable Requirements

During our review, we found that the requirements underpinning some of the Army's repositioning programs are questionable, which may make the

impact of shortfalls difficult to assess. Specifically, Army officials told us that the war reserve information system used to calculate the requirements for some sustainment stocks had not been successfully updated since 1999, although Army officials told us that they are required to compute these requirements on an annual basis.²¹ While the Army is planning on recalculating these requirements by the end of 2005, it is currently unclear what the requirements for these stocks should be. As a result, program managers cannot be sure what to buy because they do not know if inventory shortfalls are valid. We reported on the operational impacts of this problem in our March 2004 testimony on prepositioned stocks used during Operation Iraqi Freedom.²² Additionally, in our April 2005 report, we found that because the process used to determine requirements for Army war reserve spare parts had not been updated, the war reserve inventories for some spare parts were inadequate in Operation Iraqi Freedom and could not meet initial wartime demands.²³ In addition, inaccurate and inadequately funded Army war reserve requirements contributed to shortages in other items, such as track shoes for Abrams tanks and Bradley Fighting Vehicles and lithium batteries.

Additionally, we identified problems with DOD's process for establishing requirements for prepositioned munitions. For example, during our visit to U.S. Forces Korea, officials told us that the command is not afforded the opportunity to proactively participate in the determination of either total munitions requirements or, more specifically, prepositioned munitions requirements. In October 2002, we reported that DOD's munitions requirements determination process did not fully consider the combatant commander's preferences for munitions and weapon systems that will be used against targets identified in projected scenarios.²⁴ We recommended that the Secretary of Defense establish a direct link between the munitions needs of the combatant commands and the munitions requirements determinations and purchasing decisions made by the military services. In

²¹ The Army uses the Army War Reserve Automated Process to determine its requirements for spare parts in the war reserve.

²² GAO, *Military Prepositioning: Observations on Army and Marine Corps Programs During Operation Iraqi Freedom and Beyond*, [GAO-04-562T](#) (Washington, D.C.: Mar. 24, 2004).

²³ GAO, *Defense Logistics: Actions Needed to Improve the Availability of Critical Items during Current and Future Operations*, [GAO-05-275](#) (Washington, D.C.: Apr. 8, 2005).

²⁴ GAO, *Defense Management: Munitions Requirements and Combatant Commander's Needs Require Linkage*, [GAO-03-17](#) (Washington, D.C.: Oct. 15, 2002).

October 2003, DOD issued instruction 3000.4, which required that the munitions requirements developed by each of the military services address the operational objectives of the combatant commanders against potential threats. In addition, it directed the military services to work directly with the military service component and the combatant commands to develop near- and out-year munitions requirements. Finally, it directed combatant commanders to review the military services' generated munitions requirements and report any issues needing resolution during the planning and programming process. We found that these requirements are not being met. Only the Air Force visits the command prior to developing total munitions requirements to support purchasing decisions. The other services do not coordinate with the command prior to generating munitions requirements. Further, U.S. Forces, Korea, officials told us that they do not have the opportunity to review the service-generated munitions requirements prior to purchasing decisions and have no input to what munitions will be prepositioned or where those munitions will be located. While officials in the Office of the Secretary of Defense and Joint Staff expressed skepticism about the way U.S. Forces, Korea, had developed their munitions requirements, they agreed that the proper coordination was not occurring. As a result, the needed linkage between the combatant command's needs and the munitions purchases made by the services continues to be inadequate and raises questions as to whether combatant commands will have what they need should a conflict arise.

Unreliable Information

We also found that the Army and Air Force lack reliable information on the inventory fill and maintenance condition for some prepositioned stocks. The lack of reliable inventory information may provide program managers with an unrealistic view on the preparedness of these programs.

- Army officials told us that its information management system does not provide reliable information on the inventory levels and maintenance condition of its operational projects and sustainment stocks. Army managers told us that this lack of inventory visibility has persisted for many years, and sometimes the only way to get reliable information is to contact the storage site directly.
- As recently as February 2005, the Army reported in the unclassified inventory information that it extracts from its main readiness reporting system²⁵ that a high percentage of the combat brigade set prepositioned in

²⁵ The Army's Status of Resources and Training System is the counterpart to the Global Status of Resources and Training System, which is an automated system that assesses the extent to which military units possess the required resources and training to undertake their wartime missions.

Problems with Requirements
and Reliability of Information
Have Been Long-standing, but
Remain Unresolved

South Korea was fully mission capable. However, in an October 2004 Army assessment, inspectors had found that a high percentage of the equipment reviewed was not mission capable.

- Air Force officials also told us that they do not have adequate information available to assess the overall readiness of their prepositioned stocks. While this information is decentralized and available in some cases to base and component commanders, information on inventory levels and maintenance condition is not available to Air Force managers overseeing the war reserve materiel program. Air Combat Command and Central Command, Air Forces, officials told us that in order to obtain information on the readiness of most prepositioned stocks, they had to contact the storage locations since this information is not readily available to them. Pacific Air Forces officials told us that they developed their own automated system to track the inventory levels and maintenance condition of the war reserve materiel prepositioned in their area of responsibility because the Air Force lacked a comprehensive system that provides reliable and timely readiness information on its war reserve program.

The problems we found during our review with requirements determination and reliability of inventory information are not new. Our review of past reports going back to 1995 revealed that similar issues have been reported repeatedly, but have not been resolved. The findings from several past studies are described below, and appendix I provides a more comprehensive summary of the major findings from more than 30 past reports by us and the department's own studies.

Inventory management issues, and more recently supply chain management, have been considered high-risk areas by us since 1990. Specific to the prepositioning programs, we have previously reported numerous times on long-standing management problems. For example, we reported in our last review of prepositioning programs in 1998 that the Army and Air Force had poorly defined, outdated, and otherwise questionable requirements in their programs.²⁶ Our 1998 report also noted that it was difficult for DOD to assess the readiness of its prepositioned stocks and the impact of any shortfalls due to the poor information the services used to manage these programs. We also reported in 2001 that, among other things, a potential mismatch existed between the Army's methodology for determining spare parts requirements and the Army's

²⁶ GAO, *Military Prepositioning: Army and Air Force Programs Need to Be Reassessed*, GAO/NSIAD-99-6 (Washington, D.C.: Nov. 16, 1998).

anticipated battlefield needs.²⁷ And more recently, we reported in January 2005 that DOD does not have the ability to provide timely or accurate information on the location, movement, status, or identity of its supplies due to long-standing data accuracy and reliability problems within existing inventory management systems.²⁸

The department's own auditors and an Army command have also been sharply critical of program management, especially how program requirements have been determined. For example, the Army Materiel Command reported in 2003 that the requirements computation for war reserve stocks and stockage lists for prepositioned stocks did not accurately portray what was needed for Operation Iraqi Freedom. These stockage lists did not contain the most critical items needed to sustain combat equipment during the operation.²⁹ In addition, the Army Audit Agency reported in 2004 that Army program managers had not reviewed the requirements for many of the operational projects it examined. As a result, some operational projects contained inaccurate, overstated, or questionable requirements. Of \$1.5 billion in requirements examined, about \$727 million were valid, \$472 million were invalid, and about \$280 million were questionable.³⁰ In addition, the Air Force Audit Agency reported in May 2003 that Air Force personnel did not properly segregate certain war reserve requirements from peacetime operating spare parts requirements, resulting in more than \$118.8 million of overstated requirements for peacetime.³¹

Past reports have also revealed problems with the reliability of inventory information. In 2001, Army auditors reported that the lack of reliable data on operational projects and sustainment stocks impeded the overall readiness capability of the Army's prepositioning program. In addition, the Army reported that there was a general lack of confidence in the

²⁷ GAO, *Defense Inventory: Army War Reserve Spare Parts Requirements Are Uncertain*, [GAO-01-425](#) (Washington, D.C.: May 10, 2001).

²⁸ GAO, *High Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005).

²⁹ U.S. Army Materiel Command, *Iraq Lessons Learned Conference* (Redstone Arsenal, Ala.: Sept. 10-11, 2003).

³⁰ Army Audit Agency, *Operational Project Stocks Phase II*, Report A-2004-0108-AML (Alexandria, Va.: Feb. 12, 2004).

³¹ Air Force Audit Agency, *Other War Reserve Materiel*, F2003-0010-FC4000 (Washington, D.C.: May 2003).

information management system used to provide information on inventory levels.³² More recently, the Army Materiel Command's 2003 report on lessons learned in Iraq also found that different automated systems provided different inventory levels at the same storage location during operations in Iraq.³³ Similarly, a June 2004 CNA Corporation after-action report on the Marine Corps' prepositioning program in Operation Iraqi Freedom found that the Marine Corps did not have reliable information on the status of some prepositioned equipment used to support operations in Iraq.³⁴ Specifically, due to a lack of automated tracking systems, the Marine Corps had to use manual methods for tracking equipment with hand counts and written reports. As a result, Marine Corps commanders did not have clear and accurate tools for determining where cargo was in the pipeline, and more importantly, forecasting when equipment would arrive and when integration would be complete.

DOD Lacks A Plan To Coordinate Future Prepositioning Programs

DOD has not developed a coordinated departmentwide plan or joint doctrine to guide the future of its prepositioning programs, despite the heavy use of prepositioned stocks in recent conflicts and the department's plans to rely on them in the future. The 2005 National Defense Strategy specifically notes the importance of prepositioning in the future and indicates that prepositioning programs should be more innovative, flexible, and joint in character, but provides few details on how DOD plans to accomplish these goals. In addition, the independent Overseas Basing Commission recently echoed the continued importance of the department's prepositioning programs in the future. In the absence of a departmentwide plan or joint doctrine to coordinate the reconstitution and future plans for these programs, the military services have been recapitalizing some stocks and developing future plans for their programs without a clear understanding of how they will fit together to meet the evolving defense strategy. Without an overarching framework that establishes priorities for prepositioning among competing initiatives and identifies the resources required to implement the future programs, DOD

³² U.S. Army Materiel Command Inspector General, *Systematic Inspection of the Material Condition of Army War Reserve Sustainment Stocks* (Ft. Belvoir, Va.: August 2001).

³³ U.S. Army Materiel Command, *Iraq Lessons Learned Conference* (Redstone Arsenal, Ala.: Sept. 10-11, 2003).

³⁴ CNA Corporation, *Operation Iraqi Freedom (OIF) Maritime Prepositioning Force (MPF) Reconstitution, Regeneration, and Reembarkation Operations: Summary Findings* (Alexandria, Va.: June 2004).

cannot provide assurances to Congress that the billions of dollars that will be required to recapitalize the stocks and develop future programs will ultimately produce programs that will operate jointly, support the needs of the war fighter, and are affordable.

National Defense Strategy and Overseas Basing Report Indicate a Reliance on Prepositioning in the Future

The most recent National Defense Strategy published in March 2005 states that to strengthen DOD's capability for prompt global action and flexibility to employ military forces where needed, prepositioned stocks "will be better configured and positioned for global employment."³⁵ This overarching defense strategy establishes key goals for the future of defense capabilities such as the prepositioning of support materiel and combat capabilities in critical regions of the world and along key transportation routes, and a greater reliance on joint prepositioning capabilities that will be in accordance with other aspects of transformation. However, while such goals confirm that prepositioning will continue to play a key role in the evolving military strategy,³⁶ the National Defense Strategy provides no specific details on how the department and the military services will accomplish them.

In addition, the recently released report of the Overseas Basing Commission states that where DOD puts prepositioned stocks, what they are comprised of, and how they are maintained is central to the department's operational capability.³⁷ The report states that prepositioning is "imperative" for quick response of U.S. forces in areas of the world where access may be difficult, and calls for tight integration of service concepts, doctrines, and plans as a first step in ensuring the sustainability of prepositioning. Importantly, the Commission recommends that given the centrality of these stocks to the operational capability of U.S. forces, their high costs, and their anticipated heavy use over time, Congress should periodically review the status of prepositioned stocks.

³⁵ DOD, *The National Defense Strategy of the United States of America* (March 2005).

³⁶ Recent changes in DOD's defense posture have shifted the department's focus from being capable of winning two major theater wars to including having the capabilities needed to (1) defend the United States, (2) deter aggression and coercion in four critical regions, (3) swiftly defeat aggression in overlapping major conflicts, and (4) preserve the option to win decisively in one conflict.

³⁷ Final report of the Commission on Review of Overseas Military Facility Structure of the United States (Arlington, Va.: August 15, 2005).

DOD Has Not Developed a Plan or Joint Doctrine for Its Prepositioning Programs

While it seems certain that DOD will continue to rely on prepositioning in the future, it is unclear how prepositioning will fit into its future plans since DOD currently has no department-level prepositioning plan that provides specific details on how the department and the military services will work together to plan the future of their prepositioning programs or joint doctrine for its prepositioning programs. DOD officials told us that the future of its prepositioning programs has not yet been determined, in part because the future is dependent on the outcome of several interrelated studies ongoing within the department. For example, DOD is currently reviewing the mobility capabilities required to meet the full range of mobility needs for all aspects of the national defense strategy. According to DOD officials, the recommendations from this study will likely have a significant impact on the services' prepositioning programs since requirements for prepositioning are being factored into the mobility deliberations. In addition, in March 2003, the Secretary of Defense requested that the department develop a comprehensive and integrated presence and basing strategy for the next 10 years. This strategy will build upon multiple DOD studies and will use information from the combatant commanders to determine the appropriate location of the basing and associated infrastructure necessary to execute the U.S. defense strategy. DOD officials told us that the basing study will also likely have an impact on prepositioning as the services will need to determine where to preposition their stocks to support the new defense strategy. Although some preliminary results have been released, DOD officials stated that once these studies are completed, they will have a better understanding of how prepositioning will be able to support the war fighter.

Similarly, DOD has not developed joint doctrine to guide the planning and employment of its prepositioning programs. DOD defines joint doctrine as the fundamental military principles that guide the employment of forces of two or more services in coordinated action toward a common objective. DOD's transformation guidance states that part of the department's transformation efforts is developing concepts to operate in a joint environment, and placing a continuing emphasis on the importance of expeditionary operations.³⁸ DOD has published joint doctrine in a number of areas, including deployment and redeployment operations, multinational operations, and military operations other than war. However, in the absence of a departmentwide plan and joint doctrine for prepositioning, the military services currently plan and implement

³⁸ DOD, *DOD Transformation Planning Guidance* (Washington, D.C.: April 2003).

separate programs in an independent, service-centric manner. A service-centric approach to prepositioning potentially misses opportunities to achieve greater efficiencies where service programs overlap. In a 2003 Joint Staff-sponsored study on strategies for prepositioning, the Logistics Management Institute found that the military services continue to program for prepositioning materiel to meet individual service rather than joint requirements. As a result, the services may overstate operational requirements and put unnecessary burdens on limited transportation assets that would be required to move these prepositioned assets from their storage locations to the operational sites.³⁹ For example, although the Army and Air Force have separate bare base programs, there is a lack of commonality among the design and components of these programs even though basic capabilities are the same.⁴⁰ Moreover, this service-centric approach to prepositioning is out of step with DOD's transformation guidance, which states that developing concepts to operate in a joint environment and a continuing emphasis on the importance of expeditionary operations is key to the department's transformation efforts.⁴¹

Reconstitution Likely to Be Delayed Due to Ongoing Operations, but Delay Offers DOD Opportunities to Set Clear Direction for Programs

Clearly prepositioning figures prominently in the department's future plans, but the services do not have precise estimates of the costs and time required to reconstitute their prepositioned stocks since the services continue to use these stocks in Afghanistan and Iraq. In a recent report to Congress, DOD estimated that the costs to reconstitute the Army and Marine Corps' prepositioned equipment will be between \$4 billion and \$5 billion.⁴² The report acknowledges, however, that these estimates may change depending on several factors, including the length of time the equipment is in use, the number of combat losses, and any changes in the future plans for its prepositioning programs. However, most of the costs required to reconstitute and recapitalize the Army and Marine Corps'

³⁹ Logistics Management Institute, *Strategies for Worldwide Prepositioning* (McLean, Va.: August 2003).

⁴⁰ Science Applications International Corporation, *Bare Base Assets Study* (McLean, Va.: Aug. 31, 2004).

⁴¹ DOD Transformation Planning Guidance, April 2003; Air Force Transformation Flight Plan, November 2003.

⁴² DOD, *Ground Force Equipment Repair, Replacement, and Recapitalization Requirements Resulting From Sustained Combat Operations* (Washington, D.C.: April 2005).

prepositioned stocks have not been budgeted for in the department's baseline submissions or supplemental funding requests. In the absence of a departmentwide plan that coordinates the reconstitution of these programs with the future plans of the department's prepositioning programs, the services are developing plans to reconstitute and recapitalize their prepositioned stocks without a clear understanding of how the future of these programs will fit together in support of the evolving defense strategy.

According to Army officials, plans to reconstitute the equipment and return it to the combat brigade sets are uncertain because, in some cases, Army units are continuing to use prepositioned stocks to support operations in Iraq instead of bringing their own equipment. In addition, the Army is placing a higher priority for its resources on supporting ongoing operations and on its modular conversion initiative—restructuring its forces to make them more flexible and rapidly deployable. As a result of this initiative, the Army is planning to use combat equipment that was part of the prepositioned brigade sets to meet the increased equipment requirements. For example, over 11,000 pieces of prepositioned combat equipment used in Iraq—such as tanks, Bradley Fighting Vehicles, and armored personnel carriers—are slated to be repaired and turned over to active duty units. Furthermore, Army officials told us that decisions have not been made as to whether the sustainment and operational project stocks will be reconstituted because of the large investments required and the uncertainty of the future plans for the Army's prepositioning program. DOD's recent report to Congress estimates the costs to reset and reconfigure the Army's prepositioned stocks to be more than \$4 billion. According to the report, however, these costs are not currently captured in DOD's baseline submissions or in any of its supplemental funding requests.

The Marine Corps' prepositioning programs are expected to have a reduced capability until 2008, at least. The department's April 2005 report to Congress estimates the cost to reconstitute the Marine Corps' prepositioned equipment is approximately \$490 million. Of this amount, about half (\$247 million) was requested in the department's most recent supplemental request. In the past year, the Marine Corps considered its options to reconstitute the equipment stored aboard the prepositioning ships given its continuing commitment to support operations in Iraq. The Marine Corps recently decided to partially refill the five ships offloaded to support operations in Iraq; however, due to the limited availability within the Marine Corps of equipment needed, such as heavy cargo trucks and High Mobility Multi-purpose Wheeled Vehicles, the Marine Corps forecasts

that these ships will have major end-item fill rates of less than 50 percent. Additionally, Marine Corps officials stated that the reconstitution of the stocks in Norway is scheduled to be completed by 2008, at which time the fill rate of these stocks is projected to be approximately 88 percent.

Air Force officials stated that they do not know when they will be able to reconstitute prepositioned stocks and return them to storage. As part of its reconstitution effort, the Air Force is in the process of replacing or converting all of its existing bare base sets into a smaller and more modular configuration.⁴³ However, it is uncertain when the new sets will be available. For example, the Air Force had budgeted approximately \$320 million in fiscal year 2005 for procurement of the new bare base sets. However, according to an Air Force official, Congress reduced the Air Force's budget by \$53 million because it was concerned about the large increase in the Air Force's procurement budget for that year. As a result, the official stated that the Air Force will not be able to procure all of the required sets. In addition, Air Force officials told us that they do not know when reconstitution for other categories of prepositioned stocks will be completed since much of this equipment is still in use.

Without a Plan and Joint Doctrine, the Military Services and Defense Logistics Agency's Prepositioning Plans Are Uncoordinated

Each of the military services and the Defense Logistics Agency are planning the future of their prepositioning programs without the benefit of an overall plan or joint doctrine to coordinate their efforts. Thus, it is unclear to us how the programs will fit together to meet the evolving defense strategy. DOD officials representing the Joint Staff and the services shared our assessment and concerns. And, according to these officials, the Joint Staff has formed a working group that is focused on establishing common definitions for prepositioning as a first step in developing joint doctrine and setting a future plan for the department's prepositioning programs.

The future of the Army's prepositioning program, the largest of DOD's programs, is still unclear, and the Army acknowledges that it faces

⁴³ Formerly known as Harvest Eagle and Harvest Falcon, the new bare base sets are called Basic Expeditionary Airfield Resources (BEAR). Rather than deploying all of the assets that are part of the larger Harvest Eagle and Harvest Falcon sets, the Air Force established a more tailored basing capability. This tiered approach establishes a new 150-person set and replaces the Harvest Eagle/Falcon sets with 550-person initial and 550-person follow-on sets. The plan for deployment is for the 150-person set to support the forces that open the airbase, followed by a 550-person initial set to establish the airbase. The 550-person follow-on sets would then be set up as the base capability expands, on an as-needed basis.

continuing funding challenges as it attempts to modernize, support ongoing combat operations, and reconstitute its prepositioned equipment, leaving the future direction of its prepositioning program uncertain. The Army has a major effort ongoing to transform its units into more flexible, rapidly deployable forces at the same time it is supporting ongoing combat operations. The Army's future prepositioning strategy was being revised during our review, so we could not assess how this overall transformation—commonly called “modularity” by the Army—will affect the prepositioning program. In addition, the Army's prepositioned stocks will have to be reconstituted due to their heavy use in Operation Iraqi Freedom. According to Army officials, however, the Army is nearing completion on a new strategy for its prepositioning programs. They told us that prepositioning will continue to be important in the future and that the prepositioned sets would be converted to the “modular” configuration by 2012 or sooner.

While the Marine Corps and Navy have identified concepts for future prepositioning programs, they have not developed firm schedules and cost estimates for these programs. For example, the Marine Corps is planning on changing the focus of its prepositioned stocks in Norway from their Cold War configuration to a more global support capability. Additionally, the Marine Corps is considering a fundamental change to the future of its prepositioning program that would replace existing Maritime Prepositioning Force ships with an undetermined number of new ships with a wider range of capabilities. These ships are intended to be an integral part of a future Navy sea base. The seabasing concept provides maritime platforms capable of supporting at-sea arrival of forces, assembly of those forces, rapid movement ashore, and combat sustainment without reliance on shore facilities. While such seabasing is envisioned by DOD to be a joint service capability, it is not clear how this will be accomplished. Furthermore, the affordability of the program is in question—this new concept could cost billions of dollars.⁴⁴

The Defense Logistics Agency began developing a global stock positioning strategy in 2004 to support its overseas customers for the items it

⁴⁴ Issues of joint service participation and affordability are discussed in more detail in two reports: Congressional Budget Office, *The Future of the Navy's Amphibious and Maritime Prepositioning Forces* (Washington, D.C.: November 2004) and Congressional Research Service Report for Congress, *Navy-Marine Corps Amphibious and Maritime Prepositioning Ship Programs: Background and Oversight Issues for Congress* (Washington, D.C.: Nov. 15, 2004).

manages. The strategy involves a combination of fixed-forward depots, a floating distribution center, and a deployable distribution depot. Fixed-forward stocking depots have been established at the following locations: Germersheim, Germany; Yokosuka, Japan; Pearl Harbor, Hawaii; Sigonella, Italy; Kuwait; Guam; and South Korea. The floating distribution center involves a mobile floating depot which will be capable of providing immediate distribution within the first 30 days of a contingency and could operate as part of the seabasing concept. The deployable distribution depot will be able to provide a full range of distribution capabilities in a theater of operations early in a contingency in developed or remote operating areas. These last two capabilities are still being developed and the Defense Logistics Agency does not yet have firm estimates for the costs of these capabilities.

The Air Force is also planning changes for its prepositioning programs. It is transforming its bare base sets into a smaller, more modular configuration and is considering new prepositioning sites to support the new defense strategy. However, Air Force officials told us that it cannot make some decisions related to new storage sites for its prepositioned stocks until DOD's basing study is complete.

Without a plan or joint doctrine to guide their efforts, the services are planning for the future of their programs without an overarching framework that establishes priorities for prepositioning among competing initiatives, develops performance goals to measure success, and identifies resources to implement plans. Until the department determines how prepositioning fits into future military plans, it cannot provide assurances to Congress that the substantial investments required to recapitalize the stocks will be affordable.

Conclusions

Prepositioning seems certain to be a key component of U.S. military strategy for years to come, but the department must make it a priority for it to overcome past management problems and ensure its future. In the near term, operational risks may exist should other military contingencies arise given the current inventory shortfalls and poor maintenance condition of some prepositioned stocks. However, the department has not developed concrete plans to overcome these challenges, even though inventory shortfalls and maintenance issues exist in the prepositioned stocks in potential trouble spots such as South Korea.

Despite the importance of prepositioning to the military, however, long-standing management problems persist and the programs seem to have

received little attention at the department level. Oversight mechanisms are in place, but they have been ineffective or ignored. Leadership and accountability begin at the top. Until DOD fully implements its own directive on war reserve materiel, oversight of its prepositioning programs will likely continue to be inadequate and the department will be unable to assess risks associated with any shortfalls in the programs. Moreover, DOD lacks reliable information in regard to its prepositioning programs and will be unable to make reliable assessments of the readiness of these programs. This could result in failure to obtain the right amount and types of equipment for the designated prepositioning locations, which could ultimately jeopardize the ability of U.S. forces to accomplish their war-fighting missions and leave them at risk.

Congress is also concerned about these issues and directed the Secretary of Defense to submit a report on its prepositioning plans by October 1, 2005. Looking toward the future, without a coordinated plan and joint doctrine that identifies the role of prepositioning in the transformed military, the department cannot plan the future of its programs in a comprehensive manner. As a result, DOD cannot provide assurance to Congress that its prepositioning programs will be coordinated, effective, and affordable.

Taking all these problems together—and considering them against the backdrop of growing operational and fiscal strains on the military—we believe the future of the prepositioning programs are at risk. Unless the department addresses long-standing management issues and sets a clear plan for the future, the department and Congress cannot make informed decisions about the significant investments needed to reconstitute or recapitalize the stocks.

Recommendations for Executive Action

To address the risks and management challenges facing the department's prepositioning programs and improve oversight, we recommend that the Secretary of Defense take the following five actions:

- Direct the Chairman, Joint Chiefs of Staff, to assess the near-term operational risks associated with current inventory shortfalls and equipment in poor condition should a conflict arise.
- Direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to provide oversight over the department's prepositioning programs by fully implementing the department's directive on war reserve materiel and, if necessary, revise the directive to clarify the lines of accountability for this oversight.

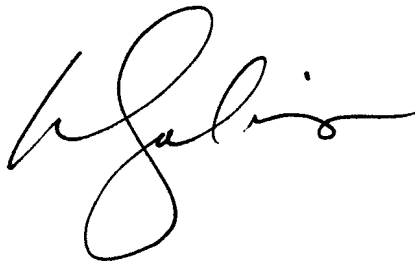
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- Direct the Secretary of the Army to improve the processes used to determine requirements and direct the Secretary of the Army and Air Force to improve the processes used to determine the reliability of inventory data so that the readiness of their prepositioning programs can be reliably assessed and proper oversight over the programs can be accomplished.
 - Develop a coordinated departmentwide plan and joint doctrine for the department's prepositioning programs that identifies the role of prepositioning in the transformed military and ensures these programs will operate jointly, support the needs of the war fighter, and are affordable.
 - Report to Congress, possibly as part of the mandated October 2005 report, how the department plans to manage the near-term operational risks created by inventory shortfalls and management and oversight issues described in this report.

Agency Comments and Our Evaluation

DOD provided written comments on a draft of this report. These comments are reprinted in appendix III. DOD partially or fully concurred with our recommendations. However, in its response, DOD disagreed with the implementation of two of our recommendations because it had already taken actions to address them. In subsequent discussions with DOD, officials indicated that this disagreement was not related to the substance of our recommendations. In fact, the department has already initiated several actions to address our recommendations including conducting an assessment of risk, improving requirements and inventory visibility, and conducting a departmental assessment on future prepositioning. Further, DOD agreed that oversight policy as discussed in its directive does not reflect appropriate oversight roles and responsibilities. To address this issue, DOD plans to clarify policy and roles and responsibilities for oversight. With respect to our recommendation to improve requirements determination and the reliability of inventory data, the initial efforts taken by the Army and Air Force represent progress, but the planned actions should address all categories of the Army and Air Force's prepositioned stocks, as discussed in our report, and not just a portion of these programs. For example, the planned actions should also include the Army's operational project stocks and the Air Force's vehicle stocks, among others. Overall, we acknowledge the actions already taken by the department to address these issues, but DOD will need sustained management focus to resolve these deeply rooted and long-standing problems.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this report. At that time, we will send copies of this report to the Secretary of Defense, the Secretary of the Army, the Secretary of the Air Force, the Secretary of the Navy, and the Commandant of the Marine Corps. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

If you or your staffs have any questions, please contact me at (202) 512-8365. Key contributors to this report are listed in appendix IV.

A handwritten signature in black ink, appearing to read 'W. Solis', with a large, stylized initial 'W' and a long, sweeping underline.

William M. Solis, Director
Defense Capabilities and Management

Appendix I: Past Products Identifying DOD Inventory Management and Prepositioning Challenges

The Department of Defense's (DOD) prepositioning programs have faced long-standing challenges including poor asset visibility; equipment excesses and shortfalls; and invalid, inaccurate, poorly defined, and otherwise questionable requirements. GAO, military service auditors, DOD's Inspector General, and others have called attention to these problems in products issued over the years. In 1990, we identified DOD's inventory management as high risk because inventory levels were too high and the supply system was not responsive to the needs of the war fighters.¹ With the onset of Operation Iraqi Freedom, other supply chain issues related to inventory management have been reported as impediments. In a January 2005 update, we expanded this high-risk area to include DOD's management of its entire supply chain, which includes distribution, inventory management, and asset visibility.

Table 3 provides summaries of challenges identified in select GAO reports and testimonies issued between January 1995 and March 2005. Table 4 provides summaries of issues identified in select products released by other organizations during the same time period.

Table 3: GAO Products

Title	Key challenges identified
Defense Inventory: Actions Needed to Improve the Availability of Critical Items during Future Military Operations (GAO-05-275 , March 2005)	In March 2005, we reported on DOD's supply-chain management during Operation Iraqi Freedom. We developed detailed case studies of nine supply items that were reported to be in short supply and could have had operational impacts, and found that U.S. troops experienced shortages of seven of the nine items that led, in some cases, to a decline in the operational capability of equipment and increased risk to troops. We identified five systemic deficiencies that contributed to shortages of the selected items, including (1) inaccurate and inadequately funded Army war reserve requirements, (2) inaccurate supply forecasts, (3) insufficient and delayed funding, (4) delayed acquisition, and (5) ineffective distribution.
High-Risk Series: An Update, GAO-05-207 (January 2005)	In January 2005, we reported that DOD's supply-chain management had experienced significant weaknesses in its ability to provide efficient and effective supply support to war fighters. While DOD reports showed the department owning about \$67 billion of inventory, shortages of certain critical spare parts were adversely affecting equipment readiness and contributing to maintenance delays. DOD also lacked visibility and control over the supplies and spare parts it owned and did not have the ability to provide timely or accurate information on the location, movement, status, or identity of its supplies.

¹ In 1990, we began a special effort to review and report on the federal program areas we considered high risk because they were especially vulnerable to waste, fraud, abuse, and mismanagement. In December 1992, we issued a series of reports on the fundamental causes of problems in designated high-risk areas, including one entitled: *High-Risk Series: Defense Inventory Management*, [GAO/HR-93-12](#) (Washington, D.C.: December 1992).

**Appendix I: Past Products Identifying DOD
Inventory Management and Positioning
Challenges**

Title	Key challenges identified
<p>Military Positioning: Observations on Army and Marine Corps Programs During Iraqi Freedom and Beyond, GAO-04-562T (March 2004)</p>	<p>In March 2004, we testified that during Operation Iraqi Freedom, the Army's prepositioning program had some equipment that was outdated or did not match unit needs. The program also faced shortfalls, such as trucks, spare parts, and other items. We noted that shortages in Army prepositioned and war reserve spare parts had been a long-standing systemic problem. We likewise reported that the theater supply-and-distribution system became overwhelmed and was worsened by the inability to track assets available in theater, which meant that war fighters did not know what was available.</p>
<p>Defense Logistics: Preliminary Observations on the Effectiveness of Logistics Activities During Operation Iraqi Freedom, GAO-04-305R (December 2003)</p>	<p>In December 2003, we reported that during Operation Iraqi Freedom poor asset visibility and insufficient and ineffective theater distribution capabilities contributed to substantial logistics support problems. DOD and military service officials raised a number of issues that may have contributed to the logistics problems, including (1) shortages of some spares or repair parts needed by deployed forces, (2) a reported mismatch between Army prepositioned equipment and unit needs, (3) DOD contractors used for logistics support during Operation Iraqi Freedom were not always effective, and (4) physical security at ports and other distribution points in the theater was not always adequate to protect assets.</p>
<p>Military Readiness: New Reporting System Is Intended to Address Long-Standing Problems, but Better Planning Is Needed, GAO-03-456 (March 2003)</p>	<p>In March 2003, we reported that DOD used readiness measures that varied 10 percentage points or more to determine readiness ratings and often did not report the precise measurements outside DOD. We additionally reported that DOD had complied with most, but not all, of the legislative readiness-reporting requirements and, as a result, Congress was not receiving all the information mandated by law. DOD issued a directive in June 2002 to establish a new comprehensive readiness-reporting system. However, as of January 2003, DOD had not developed an implementation plan containing measurable performance goals, identification of resources, performance indicators, and an evaluation plan to assess progress in developing the new reporting system.</p>
<p>Major Management Challenges and Program Risks: Department of Defense, GAO-03-98 (January 2003)</p>	<p>In January 2003, we reported that inefficient inventory management practices represented one of the most serious weaknesses in DOD's logistics operations. While DOD's inventory value had been declining for the previous 10 years, GAO's past and current work in the area indicated that DOD (1) continued to store unnecessarily large amounts of material, with about half of its secondary inventory exceeding then-war reserve or current operating requirements; (2) purchased material for which there was no valid requirement; (3) experienced equipment readiness problems because of a lack of key spare parts; and (4) maintained inadequate visibility over material being shipped to and from military activities.</p>
<p>Defense Management: Munitions Requirements and Combatant Commanders' Needs Require Linkage, GAO-03-17 (October 2002)</p>	<p>In October 2002, we reported that a fundamental problem in DOD's munitions requirements process remained unaddressed—inadequate linkage between the near-term munitions needs of the combatant commands and the purchases made by the military services based on computations derived from the department's munitions requirements-determination process. This disjunction had resulted in the combatant commands and the services identifying different munitions needs and, ultimately, in the combatant commanders reporting shortages. A more fundamental reason for the disconnect, however, was because DOD's munitions requirements-determination process did not fully consider the combatant commanders' preferences for munitions and weapon systems that would be used against targets identified in projected scenarios.</p>
<p>Defense Inventory: Improved Industrial Base Assessments for Army War Reserve Spares Could Save Money, GAO-02-650 (July 2002)</p>	<p>In July 2002, we reported that the Army's approach to industrial-base capability assessments lacked key attributes that included the collection of current industry data, the analysis of that data, and the creation of management strategies for improving wartime spare parts availability. We noted that out-of-date data could result in reduced readiness and inflated or understated war reserve spare parts funding requests within budget submissions to Congress, and the Army's ability to identify long lead times and create management strategies to reduce lead times and thus the amount of inventory needed.</p>

**Appendix I: Past Products Identifying DOD
Inventory Management and Prepositioning
Challenges**

Title	Key challenges identified
Defense Inventory: Army War Reserve Spare Parts Requirements Are Uncertain, GAO-01-425 (May 2001)	In May 2001, we reported that notwithstanding the apparent shortfall in funding for war reserve spare parts, our review showed uncertainties about the accuracy of the Army's requirements and funding needs in that area. Specifically, we found that (1) the best available data regarding the rate at which spare parts would be consumed during wartime had generally not been used in determining war reserve requirements for spare parts, (2) a potential mismatch existed between the Army's methodology for determining spare parts requirements and the Army's planned battlefield maintenance practices, (3) the capacity of the industrial base to support the parts requirements of the two major theaters of war scenario was not well defined or based on industry data, and (4) emerging issues, such as force restructuring actions, could significantly affect future war reserve requirements.
Defense Inventory: Improvements Needed to Prevent Excess Purchases by the Air Force, GAO/NSIAD-00-5 (November 1999)	In November 1999, we reported that the Air Force requirements model included prestocked requirements in computing the amount of inventory that needed to be purchased, but this inventory was not considered important enough to be funded. However, when the model identified contract quantities to be cancelled, these items were counted as valid. Thus, the model decreased the quantity to be cancelled by the amount of these requirements.
Military Prepositioning: Army and Air Force Programs Need to Be Reassessed, GAO/NSIAD-99-6 (November 1998)	In November 1998, we reported that the Army and Air Force had poorly defined, outdated, or otherwise questionable requirements in the major programs that GAO reviewed. The Army and the Air Force had reported significant shortages and poor maintenance conditions in their prepositioning programs. In some cases, however, reliable data to assess inventory fill and maintenance condition were unavailable. Thus, the precise readiness of the prepositioned stocks—and the impact of any shortfalls—was difficult to determine because of the questionable requirements that underpinned the programs and the poor information that the services used to manage the programs.
Afloat Prepositioning: Not All Equipment Meets the Army's Readiness Goal, GAO/NSIAD-97-169 (July 1997)	In July 1997, we reported that of the Army's unit sets considered when reporting the readiness of the brigade set of war reserve equipment, about 25 percent did not meet the Army's readiness goal for full-mission capability. According to Army maintenance records, some equipment aboard prepositioning ships had been reported as nonmission capable since September 1995. These records also erroneously identified some nonmission-capable equipment as repairable aboard ship, although Army officials said that many repairs could not be made until the equipment was downloaded. One factor that contributed to lower readiness rates was that some equipment was not fully mission capable when it was originally loaded on prepositioning ships. Other factors include the deterioration of the equipment while in storage aboard ships and the limited ability to conduct maintenance on the equipment while in storage.
Army War Reserves: DOD Could Save Millions by Aligning Resources With the Reduced European Mission, GAO/NSIAD-97-158 (July 1997)	In July 1997, we reported that DOD could have saved about \$54 million per year in personnel costs once the Army removed unneeded war reserve equipment from central Europe and aligned its resources with the reduced mission. Army data showed that of 128,000 items in central Europe identified as available for redistribution outside of Europe, the Army had firm plans for about 54,000 items, had proposed—but had not funded or implemented—the plans for about 27,000 items, and had no plans for about 46,000 items because it found no known requirement for them in the war reserve program.
Defense Inventory Management: Problems, Progress, and Additional Actions Needed, GAO/T-NSIAD-97-109 (March 1997)	In March 1997, we testified that inventory management problems had plagued DOD for decades. We had recently reported that about half of DOD's secondary inventory was not needed to support war reserve or current operating requirements. Most of the problems that contributed to the accumulation of this unneeded inventory still existed, such as outdated and inefficient inventory management practices that frequently did not meet customer demands, inadequate inventory oversight, weak financial accountability, and overstated requirements. We noted that while we continued to see pockets of improvement, DOD had made little overall progress in correcting systemic problems that had traditionally resulted in large unneeded inventories.

Appendix I: Past Products Identifying DOD Inventory Management and Prepositioning Challenges

Title	Key challenges identified
Defense Logistics: Much of the Inventory Exceeds Current Needs, GAO/NSIAD-97-71 (February 1997)	In February 1997, we reported that \$34 billion of DOD's \$69.6 billion secondary inventory on hand as of September 30, 1995, exceeded then-current operating and war reserve requirements. Although DOD had reduced its inventory from \$77.5 billion since September 30, 1993, about half of the inventory continued to exceed current operating and war reserve requirements. Further analysis showed that inventory valued at \$1.1 billion represented 100 or more years of supply.
Defense Inventory: Spare and Repair Parts Inventory Costs Can Be Reduced, GAO/NSIAD-97-47 (January 1997)	In January 1997, we reported that \$2.7 billion of DOD's \$8.3 billion in inventory at nonmajor locations was not needed to meet the services' then-current operating and war reserve requirements. We estimated the services could save about \$382 million annually in inventory-holding costs by eliminating the excess inventory.
Defense Programs and Spending: Need for Reforms, GAO/T-NSIAD-95-149 (April 1995)	In April 1995, we testified that inventory management was an area where DOD had experienced long-standing problems in managing its resources. While we had seen some improvements over the previous several years, DOD continued to waste billions of dollars buying, maintaining, and storing supplies that became excess. For example, as of September 1993, about \$1.7 billion of the \$9 billion of inventory that DOD was buying at that time was not needed to meet war reserve or operational requirements.

Source: GAO.

Table 4: Other Products

Title	Key challenges identified
Bare Base Assets Study, Science Applications International Corporation (August 2004)	In August 2004, the Science Applications International Corporation completed a comprehensive review and assessment of DOD bare base capabilities across the services, and identified a number of problems. The study, prepared for the Joint Staff Director of Logistics, found that the primary deficiency was the lack of a common understanding of doctrine that should provide the foundation for the services' bare base programs. This lack of understanding of doctrine (1) impacted all aspects of bare base support, to include its relationship to other basing operations, the methods of providing bare base support, and the responsibilities associated with bare base support; and (2) inhibited the ability of combatant commanders to articulate requirements, and the ability of the services to develop the appropriate capabilities. The study also found no simple solutions to the challenge of bare base, that the procurement of additional or new bare base assets was not the key, and those material solutions that were not linked to doctrinal requirements and not part of a coordinated solution would result in inefficient and less effective support.
Operation Iraqi Freedom (OIF) Maritime Prepositioning Force (MPF) Reconstitution, Regeneration, and Reembarkation (R3) Operations: Summary Findings, Center for Naval Analyses, CAB D0009974.A2/Final (June 2004)	In June 2004, the Center for Naval Analyses reported that although Marine Corps Maritime Prepositioning Force operations in Iraq could be characterized as a success, the execution of reconstitution, regeneration, and reembarkation was neither simple nor easy. Challenges and issues included (1) a lack of detailed published policies and guidance, and servicewide knowledge and experience, in planning and executing operations; (2) simultaneous conduct of combat and operations; and (3) a lack of effective systems, organizations, and procedures for tracking and accounting for prepositioned equipment after it was downloaded.
Operational Project Stocks – Phase II, Headquarters, Department of the Army, U. S. Army Audit Agency, A-2004-0108-AML (February 2004)	In February 2004, the Army Audit Agency reported that some operational projects—one of four categories of Army prepositioned stocks—had (1) invalid intended purposes; (2) inaccurate, overstated, outdated, or questionable requirements; (3) insufficient quantities of equipment on hand; or (4) a lack of requirements for essential equipment. Consequently, about \$472 million of the roughly \$1.5 billion in requirements reviewed were invalid and \$280 million were questionable.

**Appendix I: Past Products Identifying DOD
Inventory Management and Prepositioning
Challenges**

Title	Key challenges identified
The Norway Air-Landed Marine Expeditionary Brigade Prepositioning Program, Naval Audit Service, N2003-0079 (September 2003)	In September 2003, the Naval Audit Service reported that the Marine Corps continued to store and maintain prepositioned stocks in Norway despite the program's original strategic purpose having ended with the fall of the Soviet Union. The Naval Audit Service further reported that none of the inventory was sourced to an approved or planned Joint Chiefs of Staff war scenario and that the stocks were in excess of Marine Corps-wide requirements.
U.S. Army Materiel Command (USAMC) Operation Iraqi Freedom (OIF) Lessons Learned Conference, 10-11 September 2003, Redstone Arsenal, Alabama	In September 2003, the U.S. Army Materiel Command sponsored an Operation Iraqi Freedom lessons learned conference during which 27 major issues were identified in such areas as personnel, supply, maintenance, and distribution. For example (1) supply-related lessons learned included the need to relook at requirements determinations, asset management and visibility, prepositioned stocks, and ammunition warfighter support; (2) maintenance-related lessons learned included the need to improve prepositioning maintenance, readiness and other reporting, accountability, and forward repair activity; and (3) distribution-related lessons learned included the need to modify force structure and doctrine to support the distribution system, appoint a single DOD distribution manager, and develop and implement a business system.
Other War Reserve Materiel, Air Force Audit Agency, F2003-0010-FC4000 (May 2003)	In May 2003, the Air Force Audit Agency reported that Air Force personnel did not properly segregate Other War Reserve Materiel requirements from peacetime operating spares requirements for about 16 percent of items, resulting in more than \$118.8 million of overstated peacetime operating spares requirements. The audit agency likewise reported that Air Force supply personnel inappropriately applied \$4.3 million of excess war reserve materiel assets to offset unfunded requirements rather than using the excesses to offset funded peacetime operating spares requirements.
Systematic Inspection of the Material Condition of Army War Reserve Stocks, U.S. Army Materiel Command Inspector General (August 2001)	In August 2001, the Army Materiel Command Inspector General reported the following problems with Army war reserve sustainment stocks related to the Army Prepositioned Stock program: (1) a lack of centralized strategic operational direction; (2) insufficient funding for program requirements; (3) a lack of data integrity in automated systems; (4) adverse mission impact caused by readiness reporting procedures and overall operational practices; (5) mismatches between recorded condition codes of materiel and true conditions; (6) no established procedures for test, measurement, and diagnostic equipment support; (7) an inability of the command to effectively support the Army's wartime mortuary affairs mission; (8) materiel excess to requirements stored at prepositioned sites; (9) ineffective government oversight of a contractor allowing decreased readiness and increased costs; and (10) bulk fuel, potable water, and other assets to support forces during deployment were not part of the package.
Medical Unit Readiness Reporting, Air Force Audit Agency, 00058007 (December 2000)	In December 2000, the Air Force Audit Agency reported that medical unit personnel inconsistently apportioned Air Force resources among the Aerospace Expeditionary Forces and improperly (1) reported war reserve materiel condition status, (2) accomplished readiness training, (3) monitored expiration-dated war reserve materiel items, and (4) controlled sensitive readiness data.
Inventory Management of Navy Fleet Hospitals by the Fleet Hospital Support Office, Cheatham Annex, Virginia, Department of Defense Inspector General, D-2000-191 (September 2000)	In September 2000, the DOD Inspector General assessed the Navy's prepositioned fleet hospitals. It found that the Naval Fleet Hospital Support Office (1) improperly managed its approximate \$108 million inventory warehoused at Cheatham Annex, Virginia; (2) fielded two fleet hospitals without key pieces of equipment; and (3) did not properly manage unliquidated obligations.
Prepositioned Aircraft Fuel Drop Tanks, Air Force Audit Agency, 00062006 (July 2000)	In July 2000, the Air Force Audit Agency reported that Air Force managers did not validate, quantify, and correct suspected parts shortages in more than 9,000 prepositioned, unassembled drop tanks resulting in a possible inability to meet wartime tank requirements and consequent delays in critical wartime fighter sorties.

**Appendix I: Past Products Identifying DOD
Inventory Management and Prepositioning
Challenges**

Title	Key challenges identified
Selected War and Mobilization Planning Factors, Air Force Audit Agency, 99058006 (September 1999)	In September 1999, the Air Force Audit Agency reported that the Central and Pacific Air Forces planning personnel did not always correctly prepare War and Mobilization Plan, Volume 4 data or consistently and correctly use program planning factors to determine war reserve materiel requirements.
Civil Engineer Support Equipment Assigned to Naval Mobile Construction Battalions, Naval Audit Service, 036-99 (May 1999)	In May 1999, the Naval Audit Service reported that (1) 1,587 of 5,289 assets assigned to fulfill the table of allowances for 20 naval mobile construction battalions could not satisfy the requirements, and (2) 37 civil engineering support equipment assets not assigned to a table of allowances but kept as backup in case of a contingency could possibly satisfy up to \$1.1 million in planned procurements for other Navy activities.
Accountability and Inventory Levels of Air Force Medical War Reserve Material at Fort Worth, Texas, Department of Defense Inspector General, 98-163 (June 1998)	In June 1998, the DOD Inspector General reported that while the Air Force maintained adequate accountability over medical war reserve material warehoused at Fort Worth, about \$33 million of the medical war reserve material was not needed to satisfy its deployable medical systems requirements.
Army Prepositioned Stock Program, Combat Equipment Group – Europe, U.S. Army Audit Agency, AA 98-138 (March 1998)	In March 1998, the Army Audit Agency reported that while the Army Combat Equipment Group properly accounted for its war reserve stocks stored in Europe, improved accounting procedures were needed for its war reserve stocks loaned in support of Operation Joint Endeavor in Bosnia. The audit agency additionally reported that repair parts had been identified during the audit that were not needed to support the deployable unit sets authorized for the war reserve program. Moreover, while war reserve equipment was generally maintained and stored properly, some of the combat equipment companies retained too many line items, maintained excess stockage levels, and didn't establish an effective method to monitor maintenance operations.
Sustainment Requirements for the Army Prepositioned Stock Program, U.S. Army Audit Agency, AA 98-99 (February 1998)	In February 1998, the Army Audit Agency reported that a substantial number of undesignated war reserve assets were stored in Europe that could have been used to satisfy new sustainment stock requirements.
Total Asset Visibility-Operational Projects, U.S. Army Audit Agency, AA 98-31 (November 1997)	In November 1997, the Army Audit Agency reported problems in the Total Asset Visibility capability for Army operational projects, including (1) incomplete or unreliable onhand asset balances, (2) a lack of visibility over loaned assets, (3) inadequate identification of key management controls in Army policy regulations, (4) weaknesses in data integrity, and (5) failure of Army managers at both the wholesale and retail levels to redistribute assets to improve readiness and reduce requirements.
Equipment Pre-positioned Afloat, Department of Defense Inspector General, 97-054 (December 1996)	In December 1996, the DOD Inspector General reported that the Army had rapidly expanded its afloat prepositioning program without first publishing criteria, policy, plans, and doctrine resulting in a possible inability to ensure effective equipment management in support of the combatant commanders.

Source: GAO.

Appendix II: Scope and Methodology

To assess the near-term operational risk given the continuing use of prepositioned stocks, we obtained reports prepared by the military services on the inventory levels of their prepositioned stocks compared to program requirements. We also reviewed available maintenance reports or other data used by the services to measure the maintenance condition of the prepositioned stocks. We also observed the physical condition of materiel stored by the Marine Corps at its prepositioning locations in Norway and aboard a prepositioning ship at its maintenance facility located at Blount Island, Florida; and observed the maintenance condition of the Army's prepositioned stocks at Camp Carroll, South Korea and Sagami Army Depot, Japan. We interviewed program managers at each of the military services to determine the impact of reported shortfalls and poor maintenance condition in the prepositioned stocks and discussed the time frames and costs needed to repair or replace prepositioned stocks used in recent military operations.

To assess the sufficiency of the Department of Defense's (DOD) and service-level oversight of these prepositioning programs, we discussed the processes used by DOD and the services to oversee their prepositioning programs with officials from the Office of the Secretary of Defense, the Joint Staff, and the military services. We reviewed relevant DOD directives and readiness reports prepared by the services and the Joint Staff to determine the extent to which the information contained in these reports could be used by DOD or the services to provide oversight. We also reviewed past reports prepared by GAO, the Army Audit Agency, the Air Force Audit Agency, the Army Materiel Command Inspector General, and the CNA Corporation that identified problems with the reliability of data regarding the preparedness of the services' prepositioned stocks and problems with the requirements determination processes for some of these stocks. We discussed issues regarding the sufficiency of data on the preparedness of DOD's prepositioned stocks with program managers from each of the services.

To assess whether DOD has developed a coordinated plan for the future of its prepositioning programs that would meet the goals of the recently published defense strategy, we collected and analyzed information from the military services and the Defense Logistics Agency on the future plans for their prepositioning programs. We also reviewed the recently published National Defense Strategy and discussed the future direction of the department's prepositioning programs with officials in the Office of the Secretary of Defense, the Joint Staff, and the military services.

We conducted our review from July 2004 through May 2005 in accordance with generally accepted government auditing standards. We reviewed available data for inconsistencies and discussed the data with DOD officials. Our assessments of data reliability revealed significant concerns that are discussed in the report.

We interviewed officials and obtained documentation at the following locations:

Army

- U.S. Army Headquarters, Washington, D.C.
- U.S. Army Materiel Command, Ft. Belvoir, Virginia
- U.S. Army Field Support Command, Rock Island, Illinois
- U.S. Army Forces Command, Ft. McPherson, Georgia
- U.S. Army Special Operations Command, Ft. Bragg, North Carolina
- Eighth U.S. Army, Yongsan Garrison, South Korea
- Combat Equipment Battalion-Northeast Asia, Camp Carroll, South Korea
- Materiel Support Center-Korea, Camp Carroll, South Korea
- Sagami Army Depot, Camp Zama, Japan

Marine Corps

- U.S. Marine Corps Headquarters, Arlington, Virginia
- Marine Corps Combat Development Command, Quantico, Virginia
- Blount Island Command, Jacksonville, Florida
- Frigaard Storage Facility, Norway
- Hammerkammen Storage Facility, Norway
- Vaernes Aviation Storage Facility, Norway
- Marine Corps Logistics Command, Albany, Georgia

Navy

- Chief of Naval Operations, Washington, D.C.
- CNA Corporation, Alexandria, Virginia
- Naval Facilities Engineering Command, Washington, D.C.
- Naval Special Warfare Command, San Diego, California
- Naval Audit Service, Falls Church, Virginia
- Naval Medical Logistics Command, Fort Detrick, Maryland
- Military Sealift Command, Washington, D.C.

Air Force

- U.S. Air Force Headquarters, Washington, D.C.

- Air Combat Command, Langley Air Force Base, Virginia
- Headquarters, Central Command, Air Forces, Shaw Air Force Base, South Carolina
- Headquarters, Pacific Air Forces, Hickam Air Force Base, Hawaii
- U.S. Air Forces in Europe, Ramstein Air Base, Germany
- 49th Materiel Maintenance Group, Holloman Air Force Base, New Mexico
- Air Force Special Operations Command, Hurlburt Field, Florida

Unified Commands

- U.S. Pacific Command, Camp H.M. Smith, Hawaii
- U.S. Special Operations Command, MacDill Air Force Base, Florida
- U.S. Forces Korea, Yongsan Garrison, South Korea

Appendix III: Comments from the Department of Defense



DEPUTY UNDER SECRETARY OF DEFENSE FOR
LOGISTICS AND MATERIEL READINESS
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

JUL 20 2005

Mr. William Solis
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N. W.
Washington, DC 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the GAO draft report GAO-05-427, DEFENSE LOGISTICS: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs, dated June 6, 2005 (GAO Code 350568). The GAO draft report highlights that the DoD faces some near-term operational risks should another large-scale conflict emerge because it has drawn heavily on its prepositioned stocks to support ongoing operations in Iraq. The GAO made 5 recommendations to address the risks of inventory shortfalls and to improve DoD's management and oversight of its prepositioning programs. The DoD partially concurs with the recommendations in the report and is already taking action as needed to eliminate deficiencies.

Detailed comments on the draft report recommendations are included in the enclosure. The DoD appreciates the opportunity to comment on the draft report.


Bradley Berkson
Acting

Enclosure:
As Stated



GAO DRAFT REPORT – DATED JUNE 6, 2005
GAO CODE 350568/GAO-05-427
“DEFENSE LOGISTICS: Better Management and Oversight of Prepositioning Programs
Needed to Reduce Risk and Improve Future Programs”
DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of the Defense direct the Chairman, Joint Chiefs of Staff, to assess the near-term operational risks associated with current inventory shortfalls and equipment in poor condition should a conflict arise.
(Page 39/GAO Draft Report)

DOD RESPONSE: Partially concur. While we concur in substance with the GAO's recommendations, we disagree with the implementation. The Joint Staff has conducted a mission analysis on several Operation Plans (OPLANs), based on the readiness of prepositioned assets in order to determine near-term operational risks. This mission analysis resulted in a risk assessment that was briefed to the Joint Chief of Staff Senior Leadership on June 3, 2005. Results of this assessment, which are classified as Secret//No Foreign Nationals, are being addressed through coordinated efforts of the Services and Combatant Commands.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to provide oversight over the Department's prepositioning programs by fully implementing the Department's directive on war reserve materiel and, if necessary, revise the directive to clarify the lines of accountability for this oversight. (Page 39/GAO Draft Report)

DOD RESPONSE: Partially Concur. Oversight policy as discussed in the DoD Directive does not reflect appropriate oversight roles and responsibilities. To address this issue, representatives of the Joint Staff and the Office of the Deputy Under Secretary of Defense (Logistics & Materiel Readiness) co-chair a War Reserve/Prepo Working Group established in February 2005, to assess the adequacy of the current war reserve materiel policy, including appropriate oversight roles and responsibilities. This group will recommend changes to the Department's directive where appropriate. Estimated completion date is December 2005.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense direct the Secretary of the Army to improve the processes used to determine requirements and direct the Secretaries of the Army and Air Force to improve the processes used to determine the reliability of inventory data so that the readiness of their prepositioning programs can be reliably assessed and proper oversight over the programs can be accomplished. (Page 39/GAO Draft Report)

DOD RESPONSE: Partially Concur. While we concur in substance with the GAO's recommendations, we disagree with the implementation.

The Army is taking steps to better compute Army Prepositioned Stocks (APS) War Reserve Secondary Items (WRSI) requirements. In January 2005, HQDA G-4 published the Army War Reserve Sustainment Secondary Items Computation Guidance which enables the Army to calculate new secondary items sustainment stock requirements based on the new warfighting scenarios. Updated consumption rates and planning factors from Total Army Analysis were used to ensure that we will have an improved, responsive capability to compute WRSI requirements that are aligned with how the Army builds its force structure requirements. The new requirements will have far greater level of fidelity and validity in supporting the warfighter's contingency and wartime requirements. The Army War Reserve Automated Process (AWRAP) used to compute APS WRSI requirements is scheduled to be completed by November 15, 2005.

Air Force oversight of Basic Expeditionary Airfield Resources (BEAR) assets has increased significantly. Monthly reviews of BEAR status are provided to senior Air Force leadership and Combatant Commanders to facilitate accountability and supply readiness of critical assets. Additionally, the Air Force is refining its solution to this problem via the BEAR-Base Reconstitution and Management System (BBRAMS). This system is being designed to improve the operational efficiency in Air Force BEAR-base systems operations. It uses Automatic Identification Technology (AIT) to automate asset tracking, replenishment of assets, maintenance and logistics efforts. BBRAMS is essential for the beddown and sustainment phases of establishing expeditionary airfields. BBRAMS can account for receipt of assets throughout the maintenance process and track assets through the packaging and reconstitution processes. The system allows for total asset visibility as items move through the warehouse, through maintenance and deployment. Initial testing of BBRAMS was conducted at Holloman AFB in September 2004 and, with complete funding, full fielding is expected to begin approximately January 2006.

RECOMMENDATION 4: The GAO recommended that the Secretary of Defense develop a coordinated Department wide plan and joint doctrine for the Department's prepositioning programs that identifies the role of prepositioning in the transformed military and ensures these programs will operate jointly, support the needs of the warfighter, and are affordable. (Page 39/GAO Draft Report)

DOD RESPONSE: Partially Concur. DoD is providing a coordinated response to the National Defense Authorization Act of FY 2005 Section 1046 that will assess programs of the Military Services for prepositioning of materiel and equipment with a focus on how these programs will support the goal of the Secretary to have the capability, from the onset of a contingency situation, to deploy forces to a distant theater within 10 days, defeat an enemy within 30 days, and be ready for an additional conflict within another 30 days. This assessment will include a review of prepositioned materiel and equipment used in Operation Iraqi Freedom and Operation Enduring Freedom, a description of changes to doctrine, strategy, and transportation plans needed, a description of modifications to prepositioned programs that could be required, and a discussion of joint operations and training that support force projection requirements. This assessment addresses this recommendation and is to be submitted to Congress not later than October 1, 2005. Upon completion of the assessment, we will determine if any additional changes are required to DoD directive(s) or joint doctrine.

RECOMMENDATION 5: The GAO recommended that the Secretary of Defense report to Congress, possibly as part of the mandated October 2005 report, how the Department plans to manage the near-term operational risks created by inventory shortfalls and management and oversight issues described in this report. (Page 39/GAO Draft Report)

DOD RESPONSE: Concur. The DoD will provide this assessment as part of the report to Congress outlined in the DoD response to recommendation 4, which is to be provided not later than October 1, 2005. Additionally, the Department will continue to report the status of prepositioning programs through the Secretary's Annual Defense Report to the President and Congress.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

William M. Solis, (202) 512-8365

Acknowledgments

In addition to the contact named above, John Pendleton, Assistant Director, Harold Reich, Assistant Director, Aisha Cabrer, Katherine Chenault, Lee Cooper, Jeff Kans, Renee McElveen, John Nelson, Emmy Rhine, Enemencio Sanchez, Patricia Sari-Spear, Kimberly Seay, Robyn Trotter, Matthew Ullengren, Eddie Uyekawa, Hector Wong, and Ignacio Yanes also made key contributions to this report.

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