



Highlights of [GAO-07-814](#), a report to congressional committees

## Why GAO Did This Study

Congress has appropriated billions of dollars for equipment repair, replacement, and recapitalization, collectively known as equipment reset. Because of the potential for equipment reset costs to affect the Department of Defense's (DOD) future budget requirements and related readiness concerns, GAO initiated this review under the Comptroller General's authority. GAO's objectives were to determine the extent to which the Army and Marine Corps (1) track and report equipment reset expenditures in a way that confirms that funds appropriated for reset are expended for that purpose and (2) can be assured that their reset strategies will sustain equipment availability while meeting ongoing operational requirements. GAO reviewed equipment reset policies and analyzed related budget data.

## What GAO Recommends

GAO recommends that the Secretary of Defense (1) improve DOD's reporting of obligations and expenditures within the procurement accounts and (2) assess the services' approaches to equipment reset to ensure that their priorities address equipment shortages in the near term to equip units that are preparing for deployment. DOD did not agree with these recommendations. As a result, GAO is suggesting that Congress direct DOD to revise its Financial Management regulation pertaining to procurement funds.

To view the full product, including the scope and methodology, click on [GAO-07-814](#). For more information, contact William M. Solis at (202) 512-8365 or [williams@gao.gov](mailto:williams@gao.gov).

## DEFENSE LOGISTICS

### Army and Marine Corps Cannot Be Assured That Equipment Reset Strategies Will Sustain Equipment Availability While Meeting Ongoing Operational Requirements

#### What GAO Found

Although the Army and Marine Corps track and report equipment reset expenditures in the operation and maintenance accounts in detail, they do not report detailed equipment reset expenditures within the procurement accounts in a way that confirms that funds appropriated for reset are expended for that purpose because the DOD Financial Management Regulation does not require them to specifically report procurement expenditures for reset in detail. As directed by the Conference Report accompanying DOD's appropriations act for 2007, the Army and Marine Corps report detailed reset obligations and expenditures in their operation and maintenance accounts. While the Army and Marine Corps track reset expenditures and obligations in detail within the procurement accounts, they do not report those expenditures at the same level of detail as with the operation and maintenance accounts because they are not legally required to do so. Neither the Army's nor the Marine Corps' monthly *Supplemental and Cost of War Execution Reports* identify the types of equipment at the subactivity group level, such as aircraft or vehicles. Until the Army and Marine Corps are required to report the obligation and expenditure of funds appropriated for reset in the procurement accounts at a more detailed level, Congress will not have the visibility it needs to exercise effective oversight and to determine if the amount of funding appropriated for equipment reset has been most appropriately used for the purposes intended.

The Army and Marine Corps cannot be assured that their reset strategies will sustain equipment availability for deployed units as well as units preparing for deployment to Iraq and Afghanistan while meeting ongoing operational requirements because neither the Army's nor the Marine Corps' reset implementation strategies target shortages of equipment on hand and prioritize equipment needs of units preparing for deployment over longer-term modernization goals. While the Army's Force Generation implementation strategy and reset implementation guidance state that the goal of reset is to prepare units for deployment and to improve next-to-deploy units' equipment-on-hand levels, the Army's reset strategy is based on resetting equipment that it expects will be returning to the United States in a given fiscal year and not on targeting shortages of equipment for units preparing for deployment to Iraq and Afghanistan. Similarly, the Marine Corps' reset goal is to ensure that the Corps is equipped to perform both ongoing operations and future missions; however, over 80 percent of its reset budget is for procurement of equipment that will not be available for many months. Units can continue to report significant shortages during their training cycles that affect their ability to train. Thus, the services may be sacrificing short-term equipment needs for longer-term modernization goals. Until the services' reset strategies target shortages of equipment needed to equip units preparing for deployment and give priority to those units over longer-term needs, the Army and Marine Corps will be unable to minimize operational risk by ensuring the needs of deploying units can be met.