United States Government Accountability Office

GAO

Report to Congressional Committees

May 2011

WARFIGHTER SUPPORT

Improved Joint Oversight and Reporting on DOD's Prepositioning Programs May Increase Efficiencies

GAO-11-647

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Improved Joint Oversight and Reporting on DOD's Prepositioning Programs May Increase Efficiencies

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Highlights

Highlights of GAO-11-647, a report to congressional committees

Why GAO Did This Study

The Department of Defense (DOD) prepositions equipment to help ensure combat-ready forces receive equipment in days rather than the weeks it would take if it had to be moved from the United States to their location. Prepositioned stocks may also support activities including disaster relief and humanitarian assistance. As GAO's third report in response to Congress's annual reporting requirement, GAO assessed the extent to which DOD has (1) met the six reporting requirements in the annual report to Congress on its prepositioned stocks, and whether additional information may be needed related to those requirements; (2) developed effective departmentwide guidance on prepositioned stocks to achieve national military objectives; and (3) organized effectively to provide joint oversight over its prepositioning programs and achieve efficiencies. To meet these objectives, GAO reviewed relevant DOD reports, strategies, and policies, and met with DOD and service officials in the U.S., Kuwait, and Qatar.

What GAO Recommends

GAO is recommending that the Secretary of Defense take five actions to provide comprehensive information, develop overarching guidance, and enhance joint oversight to increase program efficiencies. DOD agreed with GAO's recommendations.

View GAO-11-647 or key components. For more information, contact William M. Solis at (202) 512-8365 or SolisW@gao.gov.

What GAO Found

In its 2010 report to Congress, DOD generally responded to its six required reporting elements and GAO's prior recommendations, which resulted in a more informative report. However, DOD's report does not discuss the full range of prepositioned equipment, such as Army equipment required in excess of a military unit's authorization to meet specific combatant command planning requirements. The Army may spend at least $441 million to replenish this equipment, which is part of the $4.5 billion needed to fully reconstitute the Army's prepositioned stocks. Without this information, Congress may lack a complete picture of areas where potential efficiencies may be gained. In addition, DOD's report does not list any operation plan affected by shortfalls in prepositioned stocks, as required. Further, DOD's report does not include the specific risks of such shortfalls, the full range of mitigation factors, and the extent to which these factors reduce risk. Although not required, we believe that such information would help clarify DOD's assessment of the consequences of choosing among options and continuing evaluation of areas where the department can assume greater risk, as called for in its 2008 National Defense Strategy.

DOD has limited departmentwide guidance that would help ensure that its prepositioning programs accurately reflect national military objectives, such as those included in the National Defense Strategy and the National Military Strategy. DOD has developed departmentwide guidance, referred to as Guidance for Development of the Force, but as of September 2010 this guidance contained little information related to prepositioned stocks even though DOD's 2008 instruction on prepositioned stocks specifically directed the Undersecretary of Defense for Policy to develop such guidance. Furthermore, the information the services use to determine their requirements for prepositioned stocks may not clearly state the full range of DOD's need for these stocks. DOD's challenges in identifying the full range of potential demands for prepositioned stocks highlight the importance of departmentwide guidance specifying planning and funding priorities associated with DOD's current and future needs in this area.

DOD faces organizational challenges which may hinder its efforts to gain efficiencies in managing prepositioned assets across the department. Specifically, DOD has been unable to ensure that the working group established to address joint prepositioning issues achieves its objectives because the working group lacks clearly stated lines of authority and reporting to other components within DOD. As a result, the working group may not be able to effectively synchronize or integrate, as appropriate, the services' prepositioning programs and the results of its efforts may not go beyond the working group itself. According to joint and service officials, efficiencies or cost savings could be gained through improved joint program management across the services and leveraging components in DOD such as the Defense Logistics Agency, which may be able to provide efficiencies in delivering stocks during early stages of contingency operations.

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Abbreviations

CENTCOM	U.S. Central Command
DOD	Department of Defense
EUCOM	U.S. Europe Command
GDF	Guidance for Development of the Force
PACOM	U.S. Pacific Command

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Congressional Committees

The Department of Defense (DOD) prepositions equipment at strategic locations around the world to enable it to field combat-ready forces in days, rather than the weeks it would take if equipment had to be moved from the United States to the locations of conflicts. Beyond the rapid fielding of combat forces, today's global security environment creates other potential needs for prepositioned stocks, such as supporting security cooperation activities, deterrence, multilateral training exercises abroad, and humanitarian assistance/disaster relief. Effectively achieving national military objectives in this fiscally challenged environment requires careful balancing of current and future needs with other DOD planning and funding priorities.

Through their individual programs, each of the military services maintains preconfigured groups of combat and logistics equipment on ships and ashore at locations around the world. These equipment "sets" are intended to speed response times of U.S. forces to operating locations and reduce the strain on scarce airlift or slower sealift assets. The Army stores sets of combat brigade equipment, supporting supplies, and other stocks 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 Air Force stores ammunition at land sites and aboard prepositioning ships and prepositions base support equipment, vehicles, and supporting supplies at several land sites. 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.

In recent years, we have identified a number of ongoing and long-term challenges regarding DOD's prepositioned stocks and made recommendations related to centralized operation direction, risk assessment, inventory management, equipment excesses, maintenance, and requirements determination, among other issues. For example, in our

September 2005 report,[1] we found that absent a departmentwide plan or joint doctrine to coordinate the reconstitution of prepositioned stocks,[2] the services were developing plans without a clear understanding of how they would fit together to meet evolving defense strategy. We recommended that DOD publish a departmentwide strategy to set a direction and a shared foundation for the services' prepositioning programs. Further, we recommended that the Secretary of Defense direct an assessment of the near-term operational risks associated with shortfalls in prepositioned stocks. DOD concurred or partially concurred with these recommendations. DOD has not yet developed such a strategy, and the extent to which it has assessed the near-term operational risks of shortfalls in prepositioned stocks is unclear.

The National Defense Authorization Act for Fiscal Year 2008[3] amended Title 10 of the United States Code[4] so as to require DOD to submit an annual report to the congressional defense committees on the status of prepositioned materiel and equipment as of the end of each fiscal year. DOD's reports are required to address the following six elements: (1) the level of fill for major end items of equipment and spare parts in each prepositioned set as of the end of the fiscal year covered by the report; (2) the materiel condition of equipment in the prepositioned stocks, as of the end of such fiscal year, grouped by category or major end item; (3) a list of major end items of equipment drawn from prepositioned stocks that fiscal year and a description of how the equipment was used and whether it was returned to the stocks after its use; (4) a time line for completely reconstituting any shortfall in the prepositioned stocks; (5) an estimate of the funding required to completely reconstitute any shortfall in the prepositioned stocks and a description of the Secretary's plan for carrying out the reconstitution; and (6) a list of any operation plans affected by a shortfall in the prepositioned stocks and a description of the action taken to mitigate any risk created by that shortfall. In May 2010, DOD submitted its report to Congress on the status of its prepositioned materiel and

[1]GAO, *Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs*, GAO-05-427 (Washington, D.C.: Sept. 6, 2005).

[2]Reconstitution 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.

[3]Pub. L. No. 110-181, §352 (2008).

[4]10 U.S.C. §2229a.

equipment for the time period of October 2008 to September 2009. DOD's report includes an unclassified section to address reporting elements one through five and a classified annex to address reporting element six. The annual reporting requirement also directs GAO to review DOD's annual reports and submit to the congressional defense committees any additional information that will further inform the committees on issues relating to the status of the materiel in prepositioned stocks.

This report is GAO's third report in response to its annual reporting requirement.[5] In our first report, issued in December 2008, we found that additional information on the funding requirements for the services' prepositioning programs and on the risk to current operation and concept plans could further inform congressional defense committees.[6] As a result, we recommended that DOD (1) provide additional information to Congress on funding requirements for the services' programs, and in addition to the required elements, (2) include in DOD's report to Congress information on the effect of prepositioned equipment shortfalls on current operation and concept plans, including risks and mitigation strategies to provide better visibility over possible risks. DOD agreed with the first part of our recommendation and provided this information in its subsequent report to Congress. DOD did not concur with the second part of our recommendation, stating that the department already provides a comprehensive and more holistic approach to risk and mitigation strategies each year with its submission of the Chairman's Risk Assessment.[7] In our second report, issued in November 2009, we found that DOD's future reports to Congress on the status of its prepositioned materiel and equipment would benefit from additional information in three areas: (1) the amount of spare parts the Army maintains in its prepositioned stocks; (2) the condition of the Air Force's materiel and equipment needed to establish bases; and (3) the services' progress to replenish their individual prepositioned sets, such as level of fill and

[5]10 U.S.C. §2229a(b).

[6]GAO, *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Enhanced to Better Inform Congress*, GAO-09-147R (Washington, D.C.: Dec. 15, 2008).

[7]In accordance with 10 U.S.C. §153(d), the Chairman's Risk Assessment provides the Chairman of the Joint Chiefs of Staff's assessment of the strategic and military risks associated with executing the missions called for by U.S. military strategy.

readiness rates and changes in those sets from the previous year.[8] We made recommendations in each of these areas. DOD concurred with all three recommendations and included most of the information we recommended it provide in its most recent report to Congress.

For this report, which is an unclassified version of a report we issued on February 7, 2011, our objectives were to assess the extent to which DOD has (1) addressed the six reporting requirements in the annual report to Congress on its prepositioned stocks, and whether additional information would be useful; (2) developed effective departmentwide guidance on prepositioned stocks to achieve national military objectives; and (3) organized effectively to provide joint oversight for its prepositioning programs and achieve efficiencies. To meet our objectives, we examined prior GAO and DOD reports on the services' prepositioning programs; reviewed relevant DOD and service strategies, policies, and assessments; and met with DOD and service officials in the United States, Kuwait, and Qatar. While we did not independently assess the data DOD provided to Congress, we discussed the reliability of the systems used to develop the report data with service officials and determined that the data were sufficiently reliable to meet the objectives of this engagement. A more detailed discussion of our scope and methodology is included in appendix I. We conducted this performance audit from May 2010 to November 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

While DOD provided information in response to the six required reporting elements, our review of its 2010 annual report identified several areas where more information would provide Congress with comprehensive reporting to better weigh competing priorities. First, with regard to the required reporting elements, DOD improved its reporting in several areas in its 2010 annual report. For example, DOD included reporting on the readiness of individual equipment sets, grouped by military unit location

[8]GAO, *Defense Logistics: Department of Defense's Annual Report on the Status of Prepositioned Materiel and Equipment Can Be Further Enhanced to Better Inform Congress*, GAO-10-172R (Washington, D.C.: Nov. 4, 2009).

or by capability. Additionally, DOD included information on the Army's spare parts associated with its prepositioned sets. However, DOD's annual report did not discuss the full range of prepositioned equipment, particularly equipment and materiel not directly associated with major unit sets, including equipment the services plan to reconstitute; DOD's report only includes major end items, such as tactical wheeled and tracked vehicles, and some spare parts. For example, DOD's report provides limited information on an element of the Army's Prepositioned Stocks program that includes items required by commanders' operation plans beyond unit authorizations. The Army may spend at least $441 million to aid in reconstituting these stocks, which include tents, lights, and cots—items that are in high demand for operations in Afghanistan. Second, DOD did not include in its annual report a list of operation plans affected by any shortfall in prepositioned stocks, as required. While DOD provided some information related to the risks of shortfalls in prepositioned stocks, it did not provide the specific, non-aggregated risks of shortfalls in prepositioned stocks on its operation plans, the full range of measures the services have in place to mitigate the short-term risks of shortfalls in prepositioned stocks, or the extent to which these measures reduce risk. Although not explicitly required in its annual report to Congress, DOD already reports much of this information in other forums. However, the directorate within the Joint Staff most closely responsible for assessing operational risk was not required to provide input to the report and as a result DOD's report did not include such data. We believe this information would help DOD to clarify its assessments of the consequences of choosing among options and continued evaluation of areas where the department can assume greater risk, as called for in its 2008 National Defense Strategy. More broadly, without providing a complete picture of the scope of its prepositioned stocks, including associated funding, and enhancing its reporting of risks of shortfalls in these stocks, DOD may not be able to provide Congress complete information with which to determine the sufficiency of its justification for the additional resources needed to reconstitute its prepositioned stocks and Congress may not be able to fully recognize areas where potential efficiencies may be gained. We therefore are recommending that the Secretary of Defense ensure that the annual report to Congress include comprehensive information about the full scope and associated funding of the services' prepositioning programs and report the linkage between shortfalls in prepositioned stocks and risks to DOD's operation plans and extent to which the full range of mitigation measures in place reduce said risks.

DOD has limited departmentwide guidance for linking its prepositioning programs with national military objectives. The 2008 DOD Instruction that

addresses prepositioned stocks requirements directs the Office of the Undersecretary of Defense for Policy to develop and coordinate departmentwide guidance, referred to as Guidance for Development of the Force (GDF), that identifies overall prepositioned stocks strategy to achieve desired capabilities and responsiveness in support of the National Defense Strategy.[9] According to DOD strategic planning guidance, GDF establishes force development planning and funding priorities needed to meet future contingencies.[10] While DOD established GDF in 2008 and updated this guidance in 2009, as of September 2010, this guidance did not contain information on current or future departmentwide needs for prepositioned stocks or set the planning and funding priorities to meet them. Meanwhile, existing sources of information the services use to determine current and future needs for prepositioned stocks may not fully reflect DOD's broader potential needs for prepositioned stocks in the current global security environment. For example, according to DOD officials, key operation planning data do not encompass potential needs such as support for theater security cooperation, humanitarian assistance, and deterrence. In the absence of clearly stated departmentwide needs and priorities for prepositioned stocks, the services may not be able to shape their prepositioning programs to most effectively and efficiently meet evolving defense challenges. To help DOD clarify evolving defense challenges, it has undertaken or recently completed several studies. However, without an overall strategy for prepositioned stocks in the GDF that would help ensure that the results of these studies will have authority and visibility, DOD may be less able to fully implement them and integrate their results into any departmentwide guidance. To ensure that the services have the overarching guidance they need to make informed management decisions on program effectiveness and efficiency and that DOD will be best positioned to fully implement the results of its studies, we are recommending that the Secretary of Defense direct the Undersecretary of Defense for Policy to develop GDF that defines departmentwide needs for prepositioned stocks, including the appropriate planning and funding priorities.

DOD faces organizational challenges at the joint level in overseeing its prepositioning programs, which may hinder its efforts to gain efficiencies.

[9]Department of Defense Instruction 3110.06, *War Reserve Materiel (WRM) Policy* (June 23, 2008). War reserve materiel is another term for prepositioned stocks.

[10]Chairman of the Joint Chiefs of Staff Instruction 3100.01B, *Joint Strategic Planning System* (Dec. 12, 2008).

Specifically, DOD has been unable to ensure that the organization established to address joint prepositioning issues, the Global Prepositioned Materiel Capabilities Working Group, achieves its objectives because the working group lacks clearly stated lines of authority and reporting to other components within DOD. According to DOD officials, DOD's joint working group is not conducting the full range of tasks outlined in DOD's instruction on prepositioned stocks, focusing more narrowly on sharing information among the services and coordinating the services' responses to audit inquiries. Further, the working group does not include a representative from the Office of the Undersecretary of Defense for Policy, which is responsible for developing related departmentwide GDF. These issues may hinder the working group's ability to effectively synchronize or integrate, as appropriate, the services' prepositioning programs. Also, they may hinder the potential reduction of unnecessary duplication. In particular, according to DOD officials, efficiencies or cost savings may be gained through improved joint program management across the services and leveraging components in DOD such as the Defense Logistics Agency. For example, according to DOD officials, several capabilities critical to supporting ongoing operations in U.S. Central Command's (CENTCOM) area of responsibility, such as bulk fuel distribution, are resident in more than one of the services' prepositioned inventories but are procured and sustained separately. To enhance DOD's joint oversight of its prepositioning programs and better position the department to achieve potential efficiencies, we are recommending that the Secretary of Defense direct the appropriate DOD components to (1) assess the continued relevance of the joint working group's assigned tasks and membership and make any necessary adjustments, including making the Office of the Undersecretary of Defense for Policy a core member; (2) clarify lines of authority and reporting between the working group and other components within DOD, such as the Global Posture Executive Council; (3) implement effective and appropriate oversight to ensure that the working group achieves its objectives; and (4) implement authoritative strategic guidance, such as Guidance for Development of the Force, to integrate and synchronize at a DOD-wide level, as appropriate, the services' prepositioning programs so that they include updated requirements and maximize efficiency in managing prepositioned assets across the department.

We provided a draft of this report to DOD for comment, and DOD's comments are attached as appendix II. In commenting on a draft of this report, DOD concurred with our recommendations and discussed steps it is taking or has already taken to address them.

Background

Each military service maintains different configurations and types of equipment and materiel to support its own prepositioning program. The Army and Marine Corps programs forward deploy and preposition sets of materiel and equipment by support unit or brigade type either on land or at sea aboard ship storage facilities. The Navy and Air Force maintain materiel that support capabilities through land and ship storage facilities. For example, the Navy is currently modernizing its prepositioned theater hospitalization capability by transforming its fleet hospitals into expeditionary medical facilities that can be sized according to the needs of particular military operations. The Air Force maintains Basic Expeditionary Airfield Resources that provide basing assets at austere airfields and Fuels Operational Readiness Capability Equipment to provide fueling capabilities in areas without supporting infrastructure.

DOD's national military objectives are spelled out in various levels of detail throughout numerous strategic and operational documents, including the National Defense Strategy, the National Military Strategy, and the geographic combatant commanders' plans.[11] Depending on the required level of detail, in these plans the geographic combatant commanders may articulate the specific forces needed to achieve the stated military objectives. The services then determine how best to meet the needs of the combatant commanders, which may include the issuance of prepositioned stocks or other types of equipment to support the commanders' goals. For example, the Air Force, Army, and Marine Corps have provided equipment out of their prepositioned stocks to satisfy CENTCOM's requirements associated with the build-up of forces in Afghanistan. More generally, prepositioned stocks are employed by the geographic combatant commanders, who have the authority to organize commands and forces and employ forces as they deem necessary to accomplish assigned missions. The services' prepositioned equipment is apportioned among the geographic combatant commands according to

[11]A geographic combatant commander is a commander of one of the unified or specified combatant commands established by the President under 10 U.S.C. §161. Geographic combatant commands include U.S. Africa Command, CENTCOM, U.S. Europe Command, U.S. Northern Command, U.S. Pacific Command, and U.S. Southern Command. Section 164 of Title 10 of the U.S. Code provides combatant commanders with the authority to organize commands and forces and employ forces as the combatant commander considers necessary to accomplish assigned missions.

joint strategic planning guidance.[12] Because they can be moved as needs dictate, afloat prepositioned stocks may be apportioned to more than one geographic combatant command.

DOD generally makes the determination of whether prepositioned stocks will be used as part of the joint operation planning process, which results in the production of plans that guide the employment of military forces. Joint operation planning is a coordinated process used by commanders, including the geographic combatant commanders, to determine the best method of accomplishing a mission. In non crisis situations, the process is called contingency planning.[13] There are four types of contingency plans, distinguished by the level of detail they contain. Joint planning guidance describes the most detailed level of plans, called operation plans, as containing, among other things, time-phased force deployment data, which includes the specific units to be deployed in support of the plan and the timeline for when these forces are needed. According to DOD officials, these data allow the services to determine whether prepositioned equipment is necessary to achieve a plan's goals by, for example, making a fully combat-equipped force available to the combatant or joint force commander in a shorter time frame than would be possible using other sources of equipment. Some plans with lesser detail, called concept plans, may also contain these data as determined by joint strategic guidance. Combatant commanders periodically review their contingency plans, including an assessment of risk,[14] and report the results to the Chairman of the Joint Chiefs of Staff.

[12]Apportionment is the distribution for planning of limited resources among competing requirements. The basis for apportionment is the capability provided by unit stocks, host-nation support, theater prepositioned war reserve stocks and industrial base, and DOD stockpiles in the U.S. and available production. Item apportionment cannot exceed total capabilities.

[13]Contingency Plans are "potential" military actions and must be militarily and politically acceptable and feasible within resource constraints during the time period contemplated by the plan. They enable DOD to mitigate risk of "foreseeable" strategic challenges. In crises, the planning process is called crisis action planning.

[14]The 2008 National Defense Strategy defines risk in terms of the potential for damage to national security combined with the probability of occurrence and a measurement of the consequences should the underlying risk remain unaddressed.

DOD's Report Addressed the Six Required Reporting Elements, but Additional Information Would Further Enhance Future Reports

DOD provided information in response to the six elements required in its 2010 annual report and addressed some of our prior recommendations,[15] which resulted in a more informative report, but additional information would further enhance future reports. Further, in its annual report to Congress, DOD is required to include a list of operation plans affected by any shortfall in prepositioned stocks and a description of any action taken to mitigate any risk that such a shortfall may create.[16] DOD did not provide a list of affected operation plans its annual report to Congress although it did provide some information on the risks of shortfalls in its prepositioned stocks and mitigation strategies. In addition, DOD did not discuss the full range of measures the services have in place to mitigate the risks of shortfalls in prepositioned stocks, and the extent to which these measures reduce risk. DOD did not provide this information because the elements within the Joint Staff most closely responsible for tracking such information were not required to provide input to DOD's report.

DOD's Annual Report to Congress Has Improved, but Information on the Full Range of Prepositioned Stocks and Associated Funding Would Further Enhance the Report

In its May 2010 report to Congress, DOD provided more detail than in prior reports on the status of its prepositioned stocks and the estimated baseline and overseas contingency operations funding needed to reconstitute major items associated with these stocks. Earlier DOD reporting on funding for prepositioned stocks was aggregated. In response to prior GAO recommendations, the 2010 annual report included not only the quantities of equipment available and their serviceability, but also the status of these items as organized into military unit sets, either by geographic location, in the case of the Army, or by capability sets, in the case of the Air Force and Marine Corps. In addition, the report included, for the Army and Marine Corps, information on the on-hand quantity and serviceability of the repair parts intended to sustain these services' prepositioned stocks upon their use. DOD's fiscal year 2010 annual report stated that the services estimate that it will take at least $6.1 billion to replace depleted major end items[17] in their prepositioned stocks—$1.1 billion for the Air Force, $4.5 billion for the Army, and $498 million for the Marine Corps. The Navy did not report any shortfalls in its prepositioned stocks, but provided estimates on the costs to replace its complete

[15]10 U.S.C. §2229a, GAO-10-172R, GAO-09-147R.

[16]10 U.S.C. §2229a (a)(6).

[17]According to the DOD *Supply Chain Materiel Management Regulation*, DOD 4140.1-R, AP1.1.11.7 (May 23, 2003), a major end item is a final combination of end products that is ready for its intended use.

inventory of prepositioned equipment in this year's annual report to Congress. The Army and Marine Corps categorized their funding requirements for fiscal years 2010 through 2015 and fiscal years 2010 through 2012 respectively, by procurement and operations and maintenance funding, and divided those categories further into base budget and overseas contingency operations funding. Within the overseas contingency operations funding line, the Army created a separate category for reset funding dedicated to reconstituting its prepositioned stocks which, according to the Army, provides an essential source of funds to reset its prepositioned stocks and cover program shortfalls.

Despite these reporting improvements, DOD did not fully represent all types of prepositioned stocks in its report because the report only includes major end items such as tactical wheeled vehicles and tracked vehicles like tanks and some spare parts, in response to the reporting elements. Information on the level of fill and serviceability of the major end items included in DOD's report is useful because the absence of or lack of serviceability among these items significantly impact the readiness of the services' prepositioned stocks. In general, these types of equipment items and the spare parts needed to maintain their serviceability are part of the services' prepositioned unit or capability sets. For example, the Marine Corps Maritime Prepositioning Force includes not only major repair items such as transmissions and engines, but also other parts such as screws and light bulbs. According to Marine Corps officials, these parts are stocked specifically to support the prepositioned Marine Corps equipment and are represented in DOD's annual report to Congress. Similarly, in response to our prior recommendation, the Army included in DOD's annual report the prepositioned repair parts needed to sustain its prepositioned unit equipment. However, equipment prepositioned by the services other than the major items and associated repair parts comprising their unit and capability sets are not fully represented in DOD's annual report. For example, according to a Marine Corps official, the Marine Corps prepositions fuel distribution equipment and medical stocks to support an entire deploying Marine Expeditionary Brigade or Marine Air Ground Task Force. According to this official, these stocks are not represented in DOD's annual report because they are usually at 100 percent readiness. The Marine Corps also prepositions other "capability sets" including water, habitability equipment such as tents, electrical power/distribution equipment, and rations, among other items, which are not represented in DOD's annual report. According to an Air Force official, elements of the

Air Force prepositioning program not represented in DOD's annual report to Congress include munitions, auxiliary fuel tanks, missile launchers, pylons, ejector racks, and adapters,[18] medical stocks, fuel, and Defense Logistics Agency-managed items such as rations, with on-hand quantities valued at approximately $17.3 billion and fill levels at or near 100 percent. According to the Navy official in charge of compiling the Navy portion of DOD's annual report for the past 2 years, the Navy represented all elements of its prepositioned program in DOD's annual report. In addition, this official stated that the Navy intends to provide further details about the equipment types included in the Naval Facilities and Civil Engineering and Support Equipment categories in future reports to Congress. These categories comprise non rolling stock, such as tents and communications gear, and rolling stock, such as vehicles and generators, respectively.

In DOD's report, the Army did not discuss its prepositioned equipment and materiel not associated with its unit stocks, including Operational Project stocks and Army War Reserve Sustainment stocks. Operational project stocks are groupings of equipment required in excess of a military unit's authorizations in order to meet specific combatant command planning requirements. Equipment in these sets includes clothing for enemy prisoners of war, aircraft matting, pipes to distribute petroleum, emergency rations, and housekeeping items such as tents, lights, and cots, which have been in high demand for operations in Afghanistan. In total, the Army maintains 12 categories of operational project stocks, with an on-hand quantity worth about $300 million throughout its land-based sites. The value of the operational project stock equipment the Army does not yet have on hand adds up to approximately $441 million, which is part of the $4.5 billion the Army has reported it needs to replace its depleted prepositioned stocks. Army War Sustainment Stocks are prepositioned in or near a theater of operations to support forces until wartime supply lines are established. This category of prepositioned stocks is comprised of major end items, ammunition, and parts needed to sustain deployed forces in a theater, including forces that fall in on Army Prepositioned Stocks and forces arriving with their own equipment, until resupply from the United States can be established. War reserve secondary items include not just the items on the repair parts stockage lists required for the Army Prepositioned Stocks unit sets included in the DOD report, but the parts needed for sustaining all Army forces up to 60 days in theater, parts for repair facilities, medical equipment, housekeeping sets, and packaged

[18]Referred to as Tanks, Racks, Adapters, and Pylons.

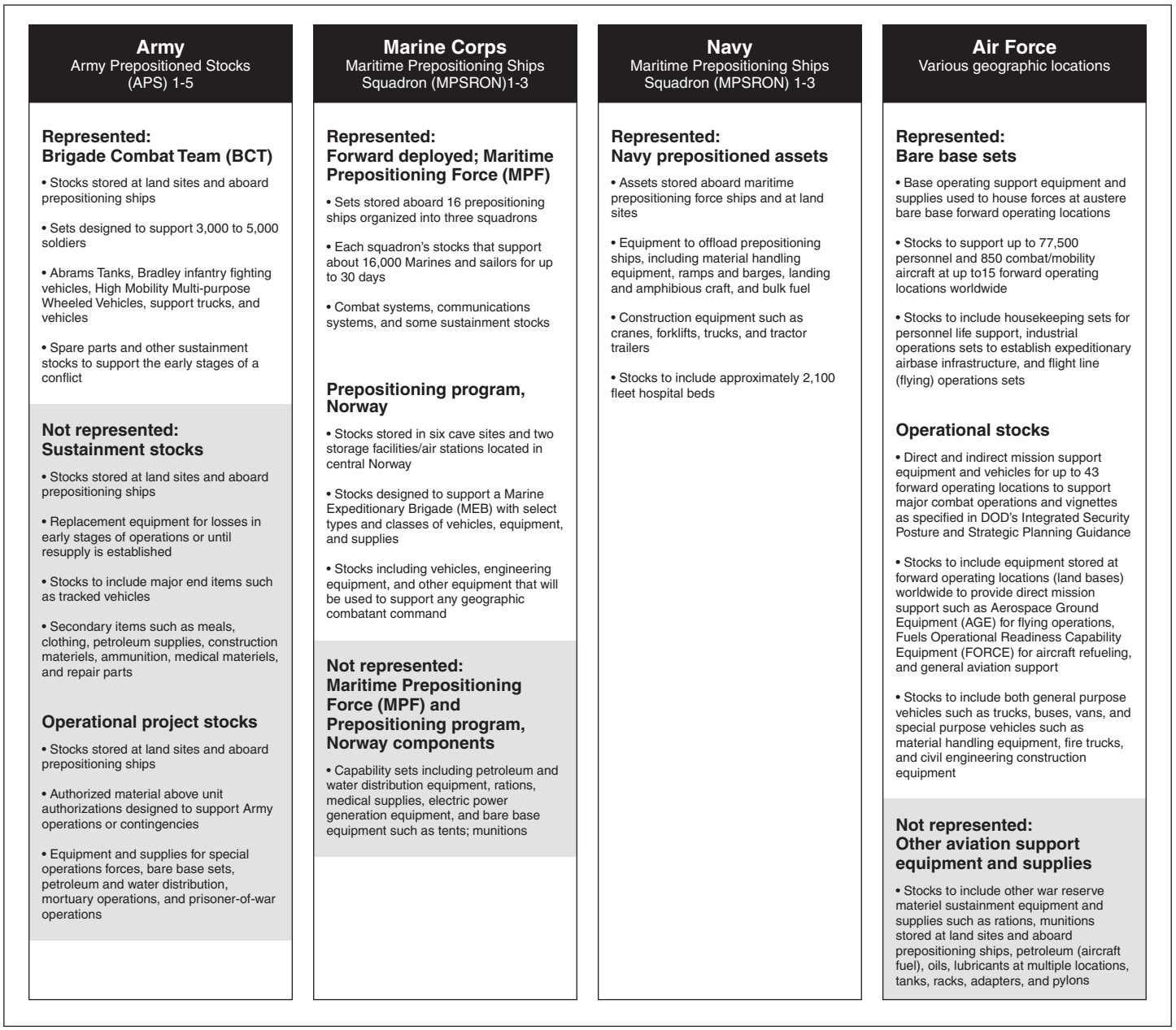
petroleum. The Army obligated approximately $1.5 billion in fiscal years 2008 and 2009 overseas contingency operations funding incorporated into its working capital funds to reconstitute these stocks.[19]

Our prior work has demonstrated the need for decision makers, such as Congress, to be fully informed in order to weigh competing priorities effectively.[20] Without comprehensive visibility of the services' prepositioning programs and their funding, Congress may not be able to make fully informed decisions about these programs. Although some of the categories of equipment and materiel the services do not discuss in DOD's annual report may be fully stocked or have less of an impact on overall readiness if they are not fully stocked, these program elements may represent areas where potential efficiencies can be gained, for example, by considering the benefits and costs of jointly managing commodities that each of the services preposition such as repair parts, medical supplies, and fuel distribution equipment. Further, some of the types of prepositioned stocks not discussed in DOD's report that each of the services maintain, such as equipment needed to set up bases at forward locations, are used interchangeably because the services may not possess such equipment in quantities sufficient to meet requirements. For example, the Air Force has provided 29 of its expeditionary military base sets to the Army and Marine Corps for use in Afghanistan and, according to Army officials, the Army has provided 3 of its similar sets to the Marine Corps. The potential for gaining efficiencies by jointly managing such equipment is discussed in more detail later in this report. Without information representative of all the services' prepositioning program elements, including those elements not directly associated with unit equipment sets, Congress may be less able to have visibility over DOD's efforts to identify opportunities in which efficiencies or cost savings may be realized. Figure 1 below illustrates which service prepositioning program elements are represented in DOD's annual report.

[19]A working capital fund relies on sales revenue rather than direct appropriations to finance its continuing operations. A working capital fund is intended to (1) generate sufficient resources to cover the full costs of its operations, and (2) operate on a break-even basis over time—that is, neither make a gain nor incur a loss. Customers use appropriated funds, primarily operations and maintenance appropriations, to finance orders placed with the working capital fund.

[20]GAO, *Force Structure: Need for Greater Transparency for the Army's Grow the Force Initiative Funding Plan*, GAO-08-354R (Washington, D.C.: Jan. 18, 2008).

Figure 1: Prepositioned Equipment and Materiel Represented in DOD's Annual Report by Service



Source: GAO and DOD.

DOD Did Not Clearly State the Risks of Shortfalls in Prepositioned Stocks on Operation Plans, but Did Provide Some Information on the Risks of Such Shortfalls

In its annual report to Congress, DOD is required to include a list of operation plans affected by any shortfall in prepositioned stocks and a description of any action taken to mitigate any risk that such a shortfall may create.[21] In regard to the first part of this requirement, DOD did not provide a list of affected operation plans its annual report. In preparing the report, the Joint Staff employs a methodology for determining the risks and mitigation related to shortfalls in prepositioned stocks which compares the services' materiel and equipment shortfalls with the combatant commanders' Integrated Priority Lists.[22] According to Joint Staff officials, Integrated Priority Lists are a key source of information considered by leadership within DOD when directing further study or approving funding priorities to mitigate DOD capability gaps. DOD's report states that this year's Integrated Priority Lists and Joint Capability Gap assessments related to prepositioned stocks did not directly relate shortfalls in these stocks to operation plans' execution risk. Although the Integrated Priority Lists summarized in DOD's report include contingency plans as a source for the mission analyses upon which the assessments are based, the risks are not stated in terms of impact on the combatant commands' ability to execute these plans. Further, other sources of information within DOD indicate that shortfalls in prepositioned stocks result in risks to operation plans which DOD should have listed in its annual report. In particular, DOD readiness reporting shows that, as of June 2010, risks associated with shortfalls in prepositioned stocks affected one specific operation plan. However, this specific plan is not listed in DOD's annual report to Congress.

Concerning the second part of the requirement, DOD's report provided some information on the risks of shortfalls in its prepositioned stocks and measures the services have in place to mitigate such risks, but additional information would be useful. In particular, DOD's annual report summarized the capability gaps related to shortfalls in prepositioned stocks, including risks to CENTCOM's theater posture and U.S. Europe Command's (EUCOM) ability to build partnerships, capabilities, and capacities of partners and institutions. Both capability gap documents also contain the operational risk level associated with the capability gaps that include shortfalls in prepositioned stocks, which CENTCOM and EUCOM both assess as "high." In addition, the Integrated Priority Lists and

[21]10 U.S.C. §2229a (a)(6).

[22]Integrated Priority Lists define shortfalls in key programs that can affect the capability to achieve the combatant commander's assigned mission.

capability gap assessments included recommended programmatic actions and associated funding, policy changes, and capability development needed to mitigate the gaps. For example, CENTCOM's assessment cites the need to reconstitute depleted Air Force, Army, and Marine Corps equipment as essential to the successful execution of its Theater Strategy. As we previously reported, by including equipment shortfalls identified by combatant commanders and service mitigation strategies, the Joint Staff's methodology can provide DOD and the services greater visibility to better assess the risks and subsequent mitigation plans and better inform congressional decision making on the potential ramifications associated with specific shortages of prepositioned stocks.[23] However, the Integrated Priority Lists that underpin DOD's classified supplement aggregate the combatant commands' descriptions of the impact of shortfalls in prepositioned stocks with their descriptions of the impact of other related shortfalls, such as military construction. Similarly, the 2010 Chairman's Risk Assessment, which provides a holistic department-level assessment of risk, discusses the impact of shortfalls in prepositioned stocks in the context of other risks.

DOD's annual report provides some information on the steps the services are taking to mitigate the risks of shortfalls in prepositioned stocks, but this information does not include some measures the services have in place to reduce short-term risk or the extent to which these measures reduce risk. Such information would be helpful to understand the full range of risks and mitigation associated with shortfalls in prepositioned stocks. According to DOD's report, with the exception of a potential Marine Corps CENTCOM-specific equipment set that is currently awaiting program of record definition, no additional steps will be taken by the services aside from existing plans to reconstitute their prepositioned stocks. Similarly, the 2010 Secretary of Defense Risk Mitigation Plan states that DOD is "aggressively" pursuing funding to reconstitute its prepositioned stocks, although, as the information in DOD's annual report to Congress indicates, full reconstitution of all the services' prepositioned stocks will not be complete until fiscal year 2017. However, the services have taken other steps to mitigate the short-term risks associated with current shortfalls in prepositioned stocks. For example, the *Army Prepositioned Stocks Strategy 2015* states that the Army has implemented three risk mitigation measures to heighten the Army's ability to provide trained and equipped forces to support DOD's contingency requirements,

[23] GAO-10-172R.

which, according to Army officials, will help decrease the time required to move equipment to where it is needed. In addition, according to Air Force officials, the Air Force's "mobility assets," which are assets positioned at Air Force bases worldwide similar to those it prepositions, are available in sufficient quantity to mitigate current shortfalls in its prepositioned equipment. These measures are not discussed in DOD's report, but would be useful if provided in future reports.[24] Further, neither the classified supplement of DOD's annual report nor the Integrated Priority Lists upon which the classified supplement is based specify the extent to which the mitigation steps identified by the services may reduce the risks associated with shortfalls in prepositioned stocks, or whether these mitigation measures are sufficient. For example, although the Army stated in DOD's report that as a result of demands for equipment in Iraq and Afghanistan it could not support EUCOM's request for accelerating the reconstitution of portions of its land-based prepositioned stocks in Europe, the extent to which the department has accepted risk by not meeting EUCOM's request or mitigated overall risk by meeting higher priority needs elsewhere is unclear.

DOD did not concur with our 2008 recommendation to provide additional information on the risk of shortfalls in prepositioned stocks and mitigation strategies, and stated that because the Chairman's Risk Assessment considers all factors relating to DOD readiness and strategy, it better aids decision making than would information specific to the risks of shortfalls in prepositioned stocks. According to DOD's 2008 National Defense Strategy, addressing the risks associated with successfully executing the strategy within acceptable costs entails clearly articulating the risks inherent in and the consequences of choosing among options and proposing mitigation strategies that would help to identify areas where the department can assume greater risk. Similarly, according to DOD planning guidance, Integrated Priority Lists are intended to outline potential areas in which DOD can accept increased risk to cover the costs of the mitigation strategies identified. We continue to believe that without clearly articulating the extent to which shortfalls in prepositioned stocks, relative to other factors, contribute to the risks cited in the Integrated Priority Lists and Chairman's Risk Assessment, stating these risks in terms of impact on DOD's contingency plans, providing the full range of measures the department has in place to mitigate risk, and assessing the extent to which these measures reduce risk, DOD's ability to present areas where it

[24]We did not assess the sufficiency of these measures.

can accept increased risk to cover the costs of mitigating other risks, as could become increasingly necessary in the current fiscally constrained environment, may be limited with respect to prepositioned stocks. Further, Congress may be less able to determine the extent to which funding directed towards reconstituting DOD's prepositioned stocks will reduce risk relative to funding directed towards other programs.

Other DOD Information Sources Provide More Indication of Risks of Shortfalls in Prepositioned Stocks and Extent to Which Mitigation Steps Reduce Risk

DOD's Joint Force Readiness Review and associated documentation provide more indication of the extent to which DOD's mitigation steps reduce the risks of shortfalls in prepositioned stocks, although questions remain.[25] For example, such reporting suggests that shortfalls in prepositioned stocks may not be significant drivers of risk and that available mitigation further reduces risk. In addition, one combatant command that submitted capability gap documentation related to shortfalls in prepositioned stocks in fiscal year 2008 did not do so in fiscal year 2009. As a result, the Joint Force Readiness Review, when considered together with the steps DOD has taken to mitigate risk, provides some indication of the sufficiency of mitigation of the risks to the one operation plan that lists shortfalls in prepositioned stocks as an execution risk. However, although EUCOM identifies "forces for building partner capacity" as a deficiency in the most recent Joint Force Readiness Review, neither its submission nor CENTCOM's identification of shortfalls in prepositioned stocks as stated in DOD's report is shown in the Joint Force Readiness Review as influencing operational risk or resulting in the inability to conduct mission-essential tasks. In addition, mitigation strategies addressing these shortfalls as they relate to EUCOM and CENTCOM are not included in the Joint Force Readiness Review. As a result, questions remain as to the sufficiency of service-specified mitigation for the shortfalls in prepositioned stocks identified by these combatant commands in their joint capability gap assessments and Integrated Priority Lists, especially in the short term until the services' reconstitution of their prepositioned stocks is complete.

Combatant command staffs take steps to mitigate short-term risk but these actions may not be consistently reported. According to CENTCOM officials, shortfalls in prepositioned stocks in their area of responsibility had never resulted in any risk—short, medium, or long term—that could

[25]DOD publishes its Joint Force Readiness Review quarterly to provide the Chairman of the Joint Chiefs of Staff a baseline of DOD readiness, including critical shortfalls.

not be mitigated to within acceptable levels. For example, the Army decided to issue prepositioned stocks to support the rapid movement of combat-equipped forces into Iraq in 2003, the surge of forces in Iraq in 2006-2007, and the ongoing increase of 30,000 forces in Afghanistan. In response to these decisions, CENTCOM assessed that the risk of issuing prepositioned stocks was mitigated because the forces to which the stocks were issued were located in the same area of operations as the stocks themselves, and the units which received this equipment could be rapidly retasked to respond to another contingency in the same area of responsibility. Further, in the case of increasing the forces in Afghanistan, issuing the specific types of required equipment did not significantly affect the combat capability of the prepositioned set in Kuwait, even though the forces using the equipment were operating further from the location where they would most likely be needed should another contingency erupt, according to the officials. In general, according to the CENTCOM planners, risk assessment and mitigation comprise the majority of combatant command planners' daily workload, although the results of these actions may not always be reported outside of the combatant command. We therefore recognize that external reporting on combatant commands' risk mitigation for shortfalls in prepositioned stocks may be limited.[26]

The DOD internal tasking process used to respond to the annual reporting requirement may have limited its ability to provide the information on the risks to operation plans resulting from shortfalls in prepositioned stocks that it already collects as part of the Joint Force Readiness Review.[27] As an example, a Joint Staff official responsible for compiling the input for DOD's report to Congress for the past 2 years said that in tasking the logistics directorate to produce DOD's report, the Joint Staff did not require input from the operations directorate, which is most closely responsible for tracking information related to operational readiness issues, such as the impact of shortfalls in prepositioned stocks on operation plans. As a result, the information DOD already reports elsewhere related to risks to DOD's operation plans of shortfalls in prepositioned stocks has not been fully covered in DOD's report. Without integrating the information in the Joint Force Readiness Review with the

[26]We did not assess the sufficiency of the day-to-day actions taken by the combatant commands in mitigating the impact, if any, resulting from shortfalls in prepositioned stocks.

[27]10 U.S.C. §2229a.

information DOD currently provides to Congress in its annual report on prepositioned stocks and in other products such as the Chairman's Risk Assessment, Congress may lack information about risk as it applies specifically to shortfalls in prepositioned stocks, how these risks relate to other risks such as the risk of not completing military construction projects, and the extent to which DOD's mitigation measures reduce these risks. More broadly, without providing a complete picture of the scope of DOD's prepositioning programs and associated funding needed for their reconstitution, together with a clearer discussion of the risk of shortfalls in its prepositioned stocks and associated mitigation, DOD may not be able to provide Congress the information necessary to determine the sufficiency of DOD's justification for the additional resources needed to reconstitute the department's prepositioned stocks.

DOD Has Limited Departmentwide Guidance Linking Its Prepositioning Programs with the Achievement of National Military Objectives

DOD has limited departmentwide guidance that would help ensure that its prepositioning programs accurately reflect national military objectives, such as those included in the National Defense Strategy and the National Military Strategy. DOD has developed departmentwide guidance, referred to as the Guidance for Development of the Force (GDF), but as of September 2010, this guidance contained little information related to prepositioned stocks even though DOD's 2008 instruction that addresses prepositioned stocks specifically directed the Undersecretary of Defense for Policy to develop GDF for prepositioned stocks. Because other sources of information the services use to determine their requirements for prepositioned stocks may not clearly state the full range of DOD's need for these stocks, without overarching planning and funding priorities that link DOD's prepositioning programs to its national military objectives the services' ability to make informed decisions about the future of their programs may be limited.

DOD's Guidance for Development of the Force Does Not Contain Information Synchronizing Its Prepositioning Programs with National Military Objectives

DOD's efforts to develop departmentwide guidance to synchronize its prepositioning programs with national military objectives are incomplete. In June 2008, DOD issued an instruction directing the Undersecretary of Defense for Policy to develop and coordinate guidance for approval by the Secretary of Defense, referred to as GDF, that identifies overall prepositioned stocks strategy to achieve desired capabilities and responsiveness in support of the National Defense Strategy.[28] According to a Chairman of the Joint Chiefs of Staff instruction on joint strategic planning, GDF establishes the department's force development planning and resource priorities needed to meet future contingencies, and provides a critical linkage between the National Defense Strategy, the National Military Strategy, and DOD's budget.[29] GDF for prepositioned stocks would provide the services with information on the medium and long-term departmentwide priorities they need to effectively plan and apply their resources to meet future contingencies, thus linking DOD's prepositioning programs with its overall national defense strategies. DOD issued its GDF in 2008, prior to the publication of its instruction on prepositioned stocks, and updated this guidance in 2009. However, as of September 2010, the GDF did not contain any information that would synchronize DOD's prepositioning programs with national military goals. According to officials from the Office of the Undersecretary of Defense for Policy and the 2008 GDF, the information on prepositioning in the GDF has been limited to instructions for the geographic combatant commanders to include information on prepositioned stocks in their theater posture plans.[30] Thus, the extent of DOD's definition of departmentwide planning and funding priorities for prepositioned stocks is more limited, and the department continues to lack an overarching assessment and prioritization of combatant commander needs and service initiatives to meet these needs. As a result, the information available to the services in terms of departmentwide needs and priorities as they relate to prepositioned stocks remains limited.

[28]Department of Defense Instruction 3110.06, *War Reserve Materiel (WRM) Policy* (June 23, 2008).

[29]Chairman of the Joint Chiefs of Staff Instruction 3100.01B, *Joint Strategic Planning System* (Dec. 12, 2008).

[30]Global Defense Posture includes forces, footprint, and agreements, and includes prepositioned stocks as part of the United States' global footprint. Each geographic combatant commander develops an annual theater posture plan, which identifies gaps between posture demands and the current defense posture. These plans also identify posture initiatives to fill these gaps. The Office of the Undersecretary of Defense for Policy has overall responsibility for developing DOD's global posture.

Information from Other Sources on DOD's Needs for Prepositioned Stocks Is Limited

Beyond GDF, other sources of information used by the services to determine combatant commanders' needs also may not clearly state the full potential demand for prepositioned stocks in meeting national military objectives. Title 10 of the U.S. Code charges the secretary of each department with responsibility for carrying out the functions of that department so as to fulfill the current and future operational requirements of the combatant commands.[31] In that role, the services determine whether the needs of combatant commands can best be supported with prepositioned equipment or with equipment from other sources. In addition to overarching guidance such as GDF, other sources of information, including DOD's contingency plans, may inform the development of service requirements, such as those for prepositioned stocks. For DOD's contingency plans that call for the early entry of forces into combat, determining the need for prepositioned stocks is relatively straightforward. For example, according to Joint Staff officials, the fully developed operation plans in U.S. Pacific Command's (PACOM) area of responsibility spell out the combatant commander's requirements that the services have determined can be best met with prepositioned stocks. According to these officials, this is possible because PACOM's plans include time-phased force deployment data.[32] However, out of DOD's 50 top priority plans, only 7 are directed to contain these data, according to Joint Staff documentation. As a result, the majority of DOD's contingency plans may not include the data necessary for the services to determine a clear need for prepositioned stocks based on these plans' requirements.

Needs other than the support of early entry of forces into a military operation, such as theater security cooperation, low-level military action, or humanitarian assistance, may not be identified in operation plans in as much detail as time-phased force deployment data provide. Because combatant commands do not necessarily tie these types of demands to such data, requirements for prepositioned stocks other than those which facilitate early entry of forces may be harder to determine and, according to a joint staff official, more difficult for the combatant commands to justify. For example, as discussed earlier, EUCOM has expressed a need for prepositioned stocks to build the capacity of partner states. However, EUCOM does not have an operation plan with time-phased force

[31] 10 U.S.C. §§3013, 5013 and 8013.

[32] Time-phased force deployment data include the specific units to be deployed in support of a plan, the movement requirements such as airlift and sealift needed for these forces and their equipment, and the timeline for the movements.

deployment data. As a result, EUCOM may face challenges in justifying needs for prepositioned equipment that reflect the current global security environment. In fact, EUCOM's posture plan stated that a reexamination is necessary for how afloat and land-based prepositioned equipment and materiel can be best managed to support not just major military operations, which typically are associated with time-phased force deployment data, but also theater security cooperation, humanitarian assistance, and disaster relief, explicitly articulating the need for high-level action in this area. Without combatant command statements of need expressed in terms of detailed operational requirements, the services may be less able to determine whether prepositioned stocks or equipment from other sources would be most appropriate to meet these needs. Further, without such information, the services may face challenges in resourcing combatant command needs for prepositioned stocks. For example, according to Air Force officials, one combatant command has expressed a need for additional prepositioned stocks for some time, but as of August 2010 had yet to finalize an operation plan with time-phased force deployment data. As a result, according to Air Force officials, the Air Force has been unable to obtain the funding authorizations for the prepositioned equipment it would need to support the draft plan.

Further, other potential sources of requirements outside of DOD's contingency plans, such as Defense Planning Scenarios,[33] may not fully reflect current combatant commander needs. For example, the 2010 Mobility Capabilities and Requirements Study, which is based on these scenarios and assumes the full reconstitution of all currently programmed prepositioned equipment, found that combat equipment on afloat prepositioned stocks was not employed early in the fight for a particular scenario involving operations in the PACOM area of responsibility. However, joint and service officials raised questions about this conclusion, stating that combatant commander needs may have changed since that particular scenario had been developed. In particular, according to Army planning officials, Defense Planning Scenarios incorporate combatant commander input in the beginning of their development phase, but existing DOD planning guidance does not require such input as part of the final validation of these scenarios, which can occur 2 years later. As a result, these scenarios may not fully reflect the current global security and operational environments, including needs for prepositioned stocks that

[33]Defense Planning Scenarios identify critical mid- and longer-term challenges that DOD, with interagency and foreign partners, must be prepared to handle.

may have changed during the 2-year period of scenario development. By extension, this lack of clarity in the demand for prepositioned stocks may affect the department's ability to effectively determine its current and future needs for prepositioned stocks, and link these needs with national military goals.

Without an overall prepositioned stocks strategy in its GDF, DOD may not be able to effectively articulate the policy implications stemming from the placement of prepositioned stocks in accordance with DOD's global defense posture. For example, according to CENTCOM officials, prepositioning provides combatant commanders the ability to signal a U.S. commitment to its allies without officially making such a commitment. As such, according to officials from the Office of the Undersecretary of Defense for Policy, prepositioning forms an integral component of DOD's global defense posture. For example, according to CENTCOM officials, a decision to alter the size or composition of prepositioned stocks at a location or replace them with something else, such as an ongoing force presence, may diminish U.S. flexibility of response, affect relationships with allies, and increase costs and institutional risks. Further, removing prepositioned stocks could embolden our adversaries by reducing the U.S. government's deterrence capability, these officials stated. Such issues have intrinsic policy components, according to officials from the Office of the Undersecretary of Defense for Policy. However, in the absence of policy-level direction on prepositioning from a source such as GDF, DOD may not be able to ensure that the services' decisions about the future of their prepositioning programs fully reflect current and future needs in these areas.

In the absence of clearly stated departmentwide needs and priorities for prepositioned stocks, the services may not be able to shape their prepositioned stocks programs to most effectively and efficiently meet evolving defense challenges. Both the Chief of Staff of the Army and the Secretary of the Navy are currently considering major proposals to adjust their prepositioning programs. Specifically, the Army is considering eliminating its prepositioned heavy brigade combat team equipment in Europe and, as of July 2010, the Navy had decided to place a major portion of the Marine Corps' prepositioned ships in a reduced operating status at locations in the United States rather than locations abroad beginning in fiscal year 2013. However, the information made available to the Secretary of the Navy focused on the past usage of the Marine Corps' prepositioned stocks and, according to Marine Corps documentation, did not consider the potential risks to both known and unknown contingencies of reducing the capability to rapidly respond to crises. In both cases, the combatant

commands, joint staff, and the Office of the Undersecretary of Defense for Policy may not have provided their formal input into the decisions as of August 2010, according to DOD officials and documentation. Further, the working group DOD established to oversee its prepositioning programs at the joint level, which is discussed in more detail later in this report, has, according to its charter, the responsibility for monitoring requirements and risks associated with prepositioned stocks and for remaining current on service plans. However, this group did not meet before the recommendations were formally presented by service senior leadership. Although the joint community will likely have the opportunity to formally provide its input to these decisions, such input will occur after the service chiefs make their decisions and as a result the outcome may be more difficult to influence, according to DOD officials. Without the development and implementation of departmentwide guidance that includes planning and funding priorities linking current and future needs and desired responsiveness of DOD's prepositioned stocks to evolving national defense objectives, the services may not be able to make fully informed decisions about the future of their programs that would support the effective and efficient achievement of such objectives.

DOD has undertaken or recently completed five major studies or reviews which could help the department clarify evolving defense challenges and determine its current and future needs for prepositioned stocks. For example, in August 2010, the Senior Warfighting Forum concluded a 4-month review, during which each combatant command achieved consensus on the attributes of prepositioning programs most valuable to them and ranked these attributes by priority.[34] The six attributes, in order of prioritization, were responsiveness, tailorability, expeditionary, flexibility, reliability, and relevance. The intent was to incorporate the Senior Warfighting Forum results into a wide-ranging review conducted by the Office of the Undersecretary of Defense for Cost Assessment and Program Evaluation. This wide-ranging review, which is not yet complete, seeks to examine the Army and Marine Corps prepositioning programs to identify costs and potential efficiencies to be gained, provide information on how prepositioned stocks have been used since 1990, identify the linkages between DOD's contingency plans and its prepositioned stocks,

[34]The Senior Warfighting Forum includes the 10 geographic and functional combatant commands, as well as representatives from each of the four services, the Joint Staff, Military Sealift Command, the Office of the Undersecretary of Defense for Cost Assessment and Program Evaluation, the Defense Logistics Agency, and the Surface Deployment and Distribution Command.

and develop alternatives to prepositioning equipment and materiel for senior DOD leadership to consider. In addition, according to DOD officials, the Joint Staff resources directorate is leading a study on global defense posture, which will include a prepositioning component. Further, according to officials, the Office of the Undersecretary of Defense for Policy is studying prepositioning as part of its ongoing efforts to create implementing documentation for the posture strategy articulated in the Quadrennial Defense Review. Finally, in August 2010 the Under Secretary of the Navy initiated a review of the Department of the Navy's prepositioning programs, including the Marine Corps' prepositioned stocks. These studies have the potential to inform a departmentwide approach to prepositioning requirements that fully considers the current security environment and increases efficiencies or cost savings, but the absence of policy, such as overarching guidance, and the organizational means to institutionalize the results of these efforts, may limit the studies' impact.

Organizational Challenges May Hinder DOD's Ability to Provide Effective Joint Oversight for Its Prepositioning Programs and Achieve Potential Efficiencies

DOD faces organizational challenges which may hinder its efforts to gain efficiencies. Specifically, DOD established the Global Prepositioned Materiel Capabilities Working Group to address joint prepositioning issues. However, DOD has been unable to ensure that the working group's activities include the full range of tasks the working group was established to perform, including making recommendations that would synchronize and integrate, as appropriate, the services' prepositioning programs, because the working group lacks clear oversight and reporting relationships to authoritative bodies within DOD. According to joint and service officials, efficiencies or cost savings could be gained through improved joint program management across the services and leveraging components in DOD, such as the Defense Logistics Agency.

DOD's Joint Organization Responsible for Providing Oversight for Its Prepositioning Programs May Be Unable to Achieve Its Objectives

DOD faces organizational challenges in effectively synchronizing the individual services' prepositioning programs. The 2008 DOD instruction on war reserve materiel policy directed the establishment of a Global Prepositioned Materiel Capabilities Working Group, comprised of officials from the services, joint organizations, and entities within the Office of the Secretary of Defense. According to DOD officials, this working group was formalized in June 2008, although it had been in existence for several years. Further, according to DOD officials, this working group has constituted DOD's response to recommendations from GAO to develop a

departmentwide strategy related to prepositioned equipment and materiel. In particular, according to DOD officials involved with the group since its inception, the intent of the working group was to provide an overall view of DOD's prepositioning programs and ensure that the services' programs were synchronized, as a strategic plan would do. According to GAO's *Standards for Internal Control in the Federal Government*, internal control should provide reasonable assurance that an agency's objectives are being achieved in the areas of effectiveness and efficiency of operations and compliance with applicable laws and regulations.[35]

According to the standards, federal agencies are to employ internal control activities, such as oversight through reviews by managers, to help ensure that an organization's directives are carried out and resources are effectively and efficiently used. DOD's working group has not carried out all of its responsibilities under the DOD instruction or the objectives and responsibilities in its charter. According to DOD's instruction, the working group is responsible for, among other things, addressing joint issues concerning requirements and positioning for prepositioned stocks and developing recommendations for improved processes, as needed, and making recommendations that balance limited resources against operational risk for use during budget and program reviews. However, instead of conducting these tasks, the working group has served primarily as a forum for service representatives to share information about their own service's programs, collect information to support the publication of DOD's annual report to Congress on the status of its prepositioned stocks, and coordinate responses to audit inquiries such as those in support of GAO's annual review, according to joint and service officials. Although these tasks are consistent with the purpose statement in the working group's charter, both the charter and the DOD instruction illustrate a much broader set of objectives and responsibilities, as noted above. Further, according to DOD officials involved in the working group since 2008, as working group participants became more comfortable with the annual reporting process and GAO's annual review, the frequency of meetings—which initially occurred quarterly and then increased to monthly—declined and the results of the group's discussions may not have been consistently recorded.

[35]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

In addition, DOD's 2008 instruction on prepositioned stocks may not specify the correct core membership for the working group. One of the objectives set out in the charter for DOD's working group is to support DOD's global defense posture initiative. However, the working group's core membership does not include representation from the Office of the Undersecretary of Defense for Policy, which develops DOD's global defense posture and is responsible for developing GDF that identifies overall prepositioned stocks strategy to achieve desired capabilities and responsiveness in support of the National Defense Strategy. On the other hand, DOD's instruction does include the Office of the Undersecretary of Defense for Personnel and Readiness in the list of working group participants. However, a working group participant did not recall someone from this office ever having attended a working group meeting.

DOD's ability to ensure that its joint prepositioning working group's activities include the full range of tasks the group was established to perform and that the group includes the correct core membership has been limited by unclear reporting relationships between the group and other components within DOD. According to the working group's charter, the responsibility for ensuring that the working group meets the objectives set out in the charter falls on the group's co-chairs—representatives from the Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics and the Joint Chiefs of Staff. In addition, shortly after the working group was formalized, officials stated that the working group reports to officials senior to the co-chairs in their respective organizations. Further, DOD's instruction states that the working group will make recommendations that balance limited resources against operational risk to the Director of Program Analysis and Evaluation, now referred to as the Office of the Undersecretary of Defense for Cost Assessment and Program Evaluation, during program reviews, and to the Undersecretary of Defense Comptroller during budget reviews. According to officials involved in the working group, the group has not made recommendations to these offices. In addition, officials from the joint staff stated that the working group in fact did not formally report to any other organization within the department, although these officials were considering developing a recommendation that the working group report to another working group focused on global posture, called the Global Posture Executive Council.[36] Unless appropriate reporting relationships are clarified and adhered to,

[36]The Global Posture Executive Council is co-chaired by the Office of the Undersecretary of Defense for Policy and the Office of the Joint Chiefs of Staff for Strategic Plans and Policy.

and the group is overseen by an authoritative body that can review its activities, DOD may continue to be unable to ensure that the group's activities and objectives align and that the results of its efforts will go beyond the working group itself. Further, without taking the appropriate steps, such as periodic reviews, to ensure that the working group performs its assigned functions and includes the proper core membership, DOD may be hindered in its ability to synchronize, at the joint level, its prepositioning programs with planning and funding priorities to better oversee its prepositioning programs, which may affect the department's ability to gain potential efficiencies or cost savings.

Efficiencies May Be Gained through Improved Joint Integration of Service Prepositioning Programs

According to joint and service officials, better synchronization and integration among the services' prepositioning programs and other components within DOD may result in efficiencies or cost savings. In particular, efficiencies or cost savings may be gained by an increased emphasis on joint program management, as appropriate, and by leveraging components in DOD such as the Defense Logistics Agency.

Potential Opportunities for Joint Program Management

DOD officials involved in the department's prepositioning programs generally agreed that integrating elements of DOD's prepositioning programs may lead to efficiencies. According to DOD officials, materiel and equipment critical to supporting ongoing operations in CENTCOM's area of responsibility are resident in more than one of the services' prepositioned inventories and yet are managed and funded separately. For example, all of the services include in their prepositioning programs equipment to distribute and store fuel. In addition, the Air Force and Army both field similar sets of equipment used to establish bases in forward locations. Because these sets are currently managed and funded separately, officials from both services agreed that consolidating the management of these capabilities would result in savings. Challenges for making this change, however, would include establishing a common quality-of-life standard for the sets acceptable to all the services and determining who would be responsible for funding. According to an Air Force official, the department is moving towards establishing common quality-of-life standards for the services, and departmentwide initiatives, such as the Joint Expeditionary Basing Working Group, have successfully implemented joint management for certain equipment and materiel, such as refrigerator units and hygiene sets. Funding is a major challenge under current arrangements, especially for the Air Force, which has provided a significant number of its expeditionary base sets to the Army and Marine Corps. The Air Force is currently unable to replace this equipment, and has not yet been reimbursed for the sets it has provided to the Army. As a

result, the Air Force faces a $315 million shortage that will affect its ability to meet the requirements of other contingency plans, according to Air Force data.

Officials from both the Army and the Marine Corps agreed that efficiencies could be gained by implementing some kind of joint management arrangement for afloat prepositioned stocks. Marine Corps officials offered that the Marine Corps afloat prepositioned stocks maintenance and staging facility in Jacksonville, Florida could support a level of expansion sufficient to incorporate the Army's afloat prepositioning program. These officials also stated that it may make sense to develop and implement an "executive agency" form of management for DOD's afloat prepositioned stocks. Similarly, EUCOM's posture plan recommends joint consolidation of stocks. An Air Force official noted that the joint program management concept has been employed with DOD's Mine Resistant Ambush Protected vehicle program. Although the Institute for Defense Analyses studied the potential cost savings of combining the Army's and Marine Corps' afloat prepositioned stocks maintenance facilities, located in Charleston, South Carolina, and Jacksonville, Florida, it found no compelling reason to combine the facilities since doing so would offer small and uncertain cost savings and could result in strategic drawbacks.[37] However, this study was conducted over 12 years ago.

Although it is currently unclear whether combining the Army's and Marine Corps' entire afloat prepositioning programs would be beneficial, efficiencies may be gained through joint management of elements within each service's program. For example, both the Army and Marine Corps maintain separate contracted capabilities to load and maintain equipment stored on prepositioned ships at their respective facilities. Although the capabilities are very similar and are now even provided by the same contractor, each is managed as a separate program. In fiscal year 2010, the Army obligated about $48 million for its contract and the Marine Corps obligated about $74 million. According to Army officials, consolidating these programs under one office may result in savings to the government through efficiencies gained by, for example, reducing the overhead costs associated with parallel management and contract oversight functions. Further, according to Army officials, managing the Army's and Marine

[37]Institute for Defense Analyses, *Collocating the Army and Marine Corps Afloat Prepositioning Maintenance Sites at Charleston, South Carolina and Blount Island, Florida*, IDA Paper P-3354, Alexandria, VA (August 1998).

Corps' afloat prepositioned stocks maintenance activities under one program would help the contractor streamline its workforce and ensure experienced management oversight in both locations. According to the charter for DOD's working group for prepositioned stocks, one of the group's objectives is to evaluate and provide recommendations for assignment of management responsibility for common items to designated entities. However, without proper management oversight facilitated by clear reporting relationships, the ability of the working group to provide such recommendations and the responsibility of the recipient offices to consider them is unclear.

Leveraging Components in DOD

Increased emphasis on leveraging components within DOD, such as the Defense Logistics Agency, may also improve prepositioning program effectiveness over current service-centric strategies. For example, the Army's current requirements for its war reserve sustainment stocks, worth about $608 million, are based largely on a new methodology that established the demand for parts during operations in Iraq as a baseline for global requirements for these parts. The methodology emphasizes placing "big, heavy, and cheap" items in forward locations in order to minimize the lift required to transport these items to the locations if needed for a contingency operation. Army officials responsible for executing the Army's prepositioning program raised concerns with this methodology, arguing that the needs experienced during operations in Iraq may not reflect the demand for parts that would occur during operations elsewhere in the world. For example, officials responsible for executing the Army's prepositioning program in East Asia noted that 20,000 tires are currently stored in Korea solely because operating forces in the early days of military operations in Iraq had to change a lot of tires. However, even if operations in Korea would require this number of tires in sustainment stocks, which the officials doubted, they noted that they could not be used anyway because the Army has switched to tire/wheel assemblies as the authorized parts. Army officials predicted that the Army would have to find a way to rapidly ship a large amount of parts at the last minute to supply its forces should a contingency operation arise, because the stocks authorized under the new methodology would not meet the needs on the ground, or accept risk if such shipment capability were unavailable. These officials and others agreed that, while tedious, involving the operating forces on the ground in validating sustainment stocks requirements is the best way to determine the needed equipment and materiel.

DOD officials also stated that the Defense Logistics Agency could provide greater efficiencies in delivering sustainment stocks. For example, according to Defense Logistics Agency officials, the Defense Logistics

Agency's global supply chain, which already provides 84 percent of all the military services' repair parts, may be leveraged to provide certain materiel when needed in the early stages of a conflict at a potentially lower cost than would be incurred by prepositioning, allowing the services to reduce their prepositioned inventories. In addition, by obtaining such materiel through requisitions from the operating forces on the ground, the services may be more likely to have on-hand the actual items needed than they would by relying on methodologies that project demand. The Army has begun exploring ways to better take advantage of the Defense Logistics Agency's capabilities. Further, the charter for DOD's Global Prepositioned Materiel Capabilities Working Group states that one of its objectives is to leverage the capabilities of defense agencies to better synchronize their efforts with the services' prepositioning programs. However, without departmentwide guidance and appropriate lines of authority and oversight for the Global Prepositioned Materiel Capabilities Working Group, DOD may not be able to fully realize potential efficiencies that could be gained by integrating the services' prepositioning programs with each other and with other DOD components, as appropriate.

Conclusions

Moving forward, DOD's annual report, as well as the active interest and involvement of the congressional defense committees, can continue to be an effective tool to help DOD effectively plan for and use its prepositioned equipment to achieve national military objectives. The ongoing evolution in the types of contingencies to which DOD may be called upon to respond creates challenges for the department in how it determines the demand for prepositioned stocks. Combatant commanders' equipment and materiel needs related to low-level military engagements, disaster relief, and theater security cooperation now accompany requirements associated with major combat operations, but may not be formalized in operation plans to the level of detail necessary for the services to easily determine whether such needs can be best met with prepositioned stocks, and therefore may be more difficult to justify. Further, such demands may go beyond the major equipment end items and spare parts required to be included in DOD's annual report, to include other types of equipment such as the Army's Operational Project Stocks. Providing additional information on the full range of DOD's prepositioning programs would allow Congress greater visibility on the scope of options available to meet national military objectives within these programs when making decisions about future funding—which would be especially helpful in finding potential efficiencies to be gained in today's increasingly fiscally constrained environment. Similarly, including in the annual report a more detailed summary of the risks to operation plans resulting from current shortfalls

in these stocks and the full range of DOD's mitigation measures, together with readiness information DOD already collects and reports, would provide Congress a better idea of how these shortfalls specifically affect the operational readiness of the force. Further, DOD's challenges in identifying the full range of potential demands for prepositioned stocks highlight the importance of departmentwide guidance specifying DOD's current and future needs for these stocks as well as associated planning and funding priorities. This is particularly true given the many studies and reviews DOD has completed or will complete in the near future, which have the potential to inform departmentwide guidance and the future composition of the services' prepositioning programs. Without such guidance, the services may not be able to most effectively plan and apply their resources to meet the needs of future contingencies. Finally, without clarifying its joint prepositioning oversight structure, to include clearly stated reporting relationships and management reviews to ensure that DOD's joint activities in this area align with stated objectives, DOD may continue to face organizational challenges that hinder its ability to take full advantage of potential efficiencies that may be gained, for example, through minimization of overlap or duplication among the services' programs.

Recommendations for Executive Action

To help ensure that DOD more fully informs the congressional defense committees on the status of prepositioned equipment and materiel through its annual report to Congress and to enhance joint oversight, we recommend that the Secretary of Defense take the following five actions:

1. Direct the Joint Staff and the Secretaries of the military services to provide, in addition to the six elements currently required in the annual report, a more comprehensive picture of the full scope of the services' prepositioning programs, to include (1) a representative summary description including the dollar value and, as appropriate, level of fill and information on serviceability, of (a) Army Operational Projects and Army War Reserve Sustainment Stocks, (b) Air Force munitions, medical stocks, rations, and fuel elements of its War Reserve Materiel program, and (c) Marine Corps materiel prepositioned to support an entire deployed Marine Corps force, such as its capability sets; and (2) all sources of funding for the services' prepositioned equipment and materiel, including working capital funds.

2. Direct the Joint Staff operations and plans directorates to provide in DOD's annual report to Congress, in addition to the information DOD

already includes related to Integrated Priority Lists and capability gap assessments, information it reports as part of the Joint Force Readiness Review, including (1) a summary of all DOD's plans the services have determined include requirements for prepositioned stocks, (2) a description of the extent to which the combatant commands assess that shortfalls in prepositioned stocks contribute to any specific execution risk in these plans, (3) the full range of measures in place to mitigate the risks of shortfalls in prepositioned stocks, and (4) an assessment of the extent to which the mitigation measures identified by the services reduce risk.

3. Direct the Undersecretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff, to (1) assess the continued relevance of the Global Prepositioned Materiel Capabilities Working Group's assigned tasks and membership as stated in DOD Instruction 3110.06 and the group's charter and make any necessary adjustments to ensure that the working group's objectives align with its activities. These would include making the Office of the Undersecretary of Defense for Policy a core member, and clarifying lines of authority and reporting between the working group and other components within DOD, such as the Global Posture Executive Council, so as to instill accountability through appropriate oversight and management review.

4. Upon clarifying DOD's joint oversight structure for prepositioned stocks, direct the Office of the Undersecretary of Defense for Policy to leverage the expertise of the Global Prepositioned Materiel Capabilities Working Group members, the offices they represent, and the results of the multiple recent or ongoing prepositioning studies to develop appropriately detailed authoritative strategic guidance, such as Guidance for Development of the Force. The guidance would include planning and resource priorities linking the department's current and future needs for prepositioned stocks, including desired responsiveness, to evolving national defense objectives.

5. Direct the Chairman of the Joint Chiefs of Staff and the Secretaries of the military services to implement DOD's authoritative strategic guidance on prepositioned stocks in such a way so as to integrate and synchronize at a DOD-wide level, as appropriate, the services' prepositioning programs so that they include updated requirements and maximize efficiency in managing prepositioned assets across the department to reduce unnecessary duplication.

Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD concurred with our recommendations and provided information on the steps it is taking or plans to take to address them. With regard to our first two recommendations, which concern additional information that would be useful to include in DOD's annual report to Congress, DOD stated that the department will review our recommended additions to the report and determine the elements within the services' programs that are appropriate to include in future reports. DOD also stated that it would include relevant information pertaining to prepositioned stocks as reported in the Joint Force Readiness Review that does not conflict with other risk assessment mechanisms, such as the Chairman's Risk Assessment. With regard to our third recommendation, which is focused on DOD's joint oversight of its prepositioning programs, DOD stated that current studies undertaken by the department, such as those discussed in our report, may result in significant changes to the structure and management of the department's prepositioning programs. As such, DOD stated that it will review and make necessary adjustments to the roles and responsibilities of the Global Prepositioned Materiel Capabilities Working Group based on the outcome of its ongoing studies and codify lines of authority and reporting between this group and other DOD components. Further, according to DOD, the Undersecretary of Defense for Policy, the Joint Staff Strategic Plans and Policy Directorate, and, as necessary, the Joint Staff Operations Directorate (Readiness), are now included as core members of the joint working group. With regard to our fourth and fifth recommendations, which address the need for developing and implementing authoritative departmentwide guidance, the department stated that it will develop strategic direction concerning prepositioned stocks and explore opportunities to integrate and synchronize DOD-wide prepositioning efforts based on the results of its studies. The department's comments are reprinted in appendix II.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Chairman of the Joint Chiefs of Staff; the Secretaries of the Air Force, the Army, and the Navy; and the Commandant of the Marine Corps. This report also is available at no charge on our Web site at http://www.gao.gov.

Should you or your staffs have any questions concerning this report, please contact me at (202) 512-8365 or SolisW@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on

the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

William M. Solis
Director, Defense Capabilities and Management

List of Congressional Committees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Daniel Inouye
Chairman
The Honorable Thad Cochran
Ranking Member
Committee on Appropriations
Subcommittee on Defense
United States Senate

The Honorable Howard P. McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Bill Young
Chairman
The Honorable Norman D. Dicks
Ranking Member
Committee on Appropriations
Subcommittee on Defense
House of Representatives

Appendix I: Objectives, Scope and Methodology

To address our first objective on the extent to which DOD addressed the six reporting requirements in its annual report to Congress on its prepositioned stocks and whether additional information would be useful, we compared DOD's report to the congressional defense committees with the statutory reporting requirements. We interviewed knowledgeable DOD, joint, and military service officials to determine the full scope of the services' prepositioning programs, including an understanding of the elements included in DOD's annual report, the extent to which the services' programs have elements that are not included in the report, and whether additional information could further inform Congress on the status of prepositioned equipment and materiel. We also reviewed prior GAO and DOD reports on the services' prepositioned stock programs and collected and reviewed readiness data on the services' equipments sets and materiel. While we did not independently assess the data on levels of fill and material condition DOD provided to Congress, we discussed the reliability of the systems used to develop the report data with service officials. In addition, we physically observed sites where the Air Force and the Army store land-based prepositioned stocks at Al Udeid Air Base and Camp As Sayliyah, Qatar, and Camp Arifjan, Kuwait, to determine whether there were any obvious visual discrepancies between the information DOD reports and the status of the equipment stored at these sites. We selected these locations because (1) they represent different services' storage sites, (2) they included equipment stored both indoors and outdoors, and (3) travel was possible within the short time frame allowed by this review. We also visited locations where the Army and Marine Corps maintain and load their afloat prepositioned stocks onto ships in Goose Creek, South Carolina, and Jacksonville, Florida. We determined that the data reported by the services were sufficiently reliable to meet the objectives of this engagement. To determine if the funding required to reconstitute shortfalls in prepositioned stocks was transparent, accurate, and comprehensive, we reviewed the services' funding estimates provided in DOD's annual report to Congress, spoke with the appropriate service officials, and reviewed supplementary funding data. To assess the classified supplement to DOD's report and examine the risk created by shortfalls in prepositioned stocks and any actions taken to mitigate the risk of those shortfalls, we obtained and analyzed combatant commander Integrated Priority Lists, Joint Capability Gap Assessments, Joint Requirements Oversight Council memorandums, the Chairman of the Joint Chief of Staff's Risk Assessment, the Secretary of Defense's Risk Mitigation Plan, and recent Joint Force Readiness Reviews and discussed them with the appropriate officials.

To address our second objective on the extent to which DOD has developed effective departmentwide guidance on prepositioned stocks to

achieve national military objectives, we examined prior GAO reports, DOD guidance including its instruction on prepositioned stocks, joint doctrine, the National Defense Strategy, the Guidance for Development of the Force, and service regulations. We discussed the extent to which departmentwide guidance specific to prepositioned stocks has been developed with DOD, joint, and service officials. We reviewed the Army's Prepositioned Stocks Strategy 2015, the Marine Corps' Expeditionary Policies Road Map, and briefing materials describing the Air Force's Integrated Security Posture, and discussed them with the appropriate service officials to determine how the services develop their requirements for prepositioned stocks. To understand current sources of information on DOD's needs for prepositioned stocks, we reviewed summary data on operation plans and combatant commander theater posture plans and spoke with combatant command and joint officials about the information included in these documents and the operation planning process. We also examined the Mobility Capabilities and Requirements Study 2016 and discussed this study, as well as the several recently completed or ongoing studies focused more specifically on prepositioned stocks, with the appropriate officials.

To address our third objective on the extent to which DOD has organized effectively to provide joint oversight for its prepositioning programs and achieve efficiencies, we assessed the extent to which DOD has implemented a joint oversight structure for its prepositioning programs as stated in its instruction on prepositioned stocks. We examined prior GAO reports and supporting evidence to understand the history of DOD's efforts to oversee, at a joint level, its prepositioning programs. We discussed DOD's Global Prepositioned Materiel Capabilities Working Group with knowledgeable service and joint officials, including those who had participated in this working group since its formalization in 2008. We assessed the extent to which the working group has effective guidance, oversight, and lines of authority and reporting in accordance with our *Standards for Internal Control in the Federal Government*[1] by examining the reporting structures stated in DOD's instruction, the working group's leadership, organization, and composition, and its tasks as stated in the instruction and the group's charter. Further, we discussed the actual activities this working group has undertaken with knowledgeable service and joint officials and compared these tasks with its purpose and

[1]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

objectives to determine the extent to which the working group's activities address responsibilities assigned in the DOD Instruction. In the course of our discussions, we obtained views on areas where DOD may gain efficiencies through joint oversight or management, as appropriate, of its prepositioned programs.

We interviewed officials from the Office of the Secretary of Defense, the Joint Chiefs of Staff, all four of the military services, and one combatant command. The specific offices and military activities we interviewed and obtained information from include the following:

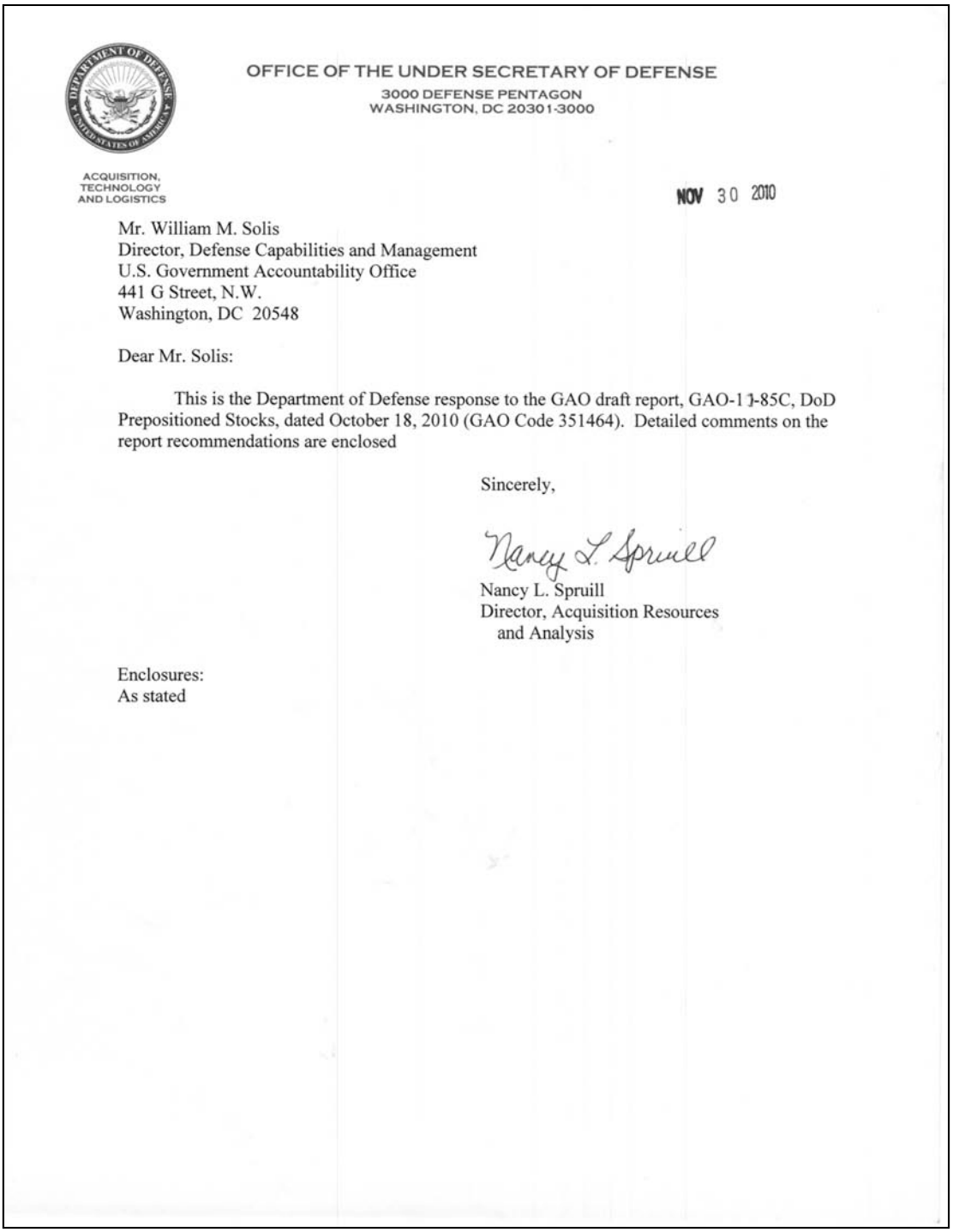
- Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics, Deputy Assistant Secretary of Defense for Supply Chain Integration, Arlington, VA
- Office of the Undersecretary of Defense for Policy, Global Force Planning, Arlington, VA
- Office of the Undersecretary of Defense for Cost Assessment and Program Evaluation, Arlington, VA
- Office of the Joint Chiefs of Staff, Arlington, VA
  - Operations Directorate
  - Logistics Directorate
  - Strategic Plans and Policy Directorate
  - Operational Plans and Joint Force Development Directorate
  - Force Structure Resources and Assessment Directorate
- U.S. Central Command, Tampa, FL
  - Logistics Directorate, Requirements
  - Plans Directorate
- U.S. Air Force, Headquarters, Logistics, Expeditionary Equipment Division, Arlington, VA
- U.S. Air Force, Air Combat Command, Logistics, Plans and Programs, Hampton, VA
- U.S. Air Force, U.S. Air Forces Central, Logistics, War Reserve Materiel, Sumter, SC

- U.S. Air Force, U.S. Air Forces Central, Logistics, War Reserve Materiel, Al Udeid Air Base, Qatar
- U.S. Army Headquarters, Arlington VA
  - Deputy Chief of Staff for Operations, Plans, and Training, War Plans Division
  - Deputy Chief of Staff for Logistics
  - Deputy Chief of Staff for Force Development
- U.S. Army Office of the Surgeon General
- U.S. Army Materiel Command, Army Prepositioned Stocks, Ft. Belvoir, VA
- U.S. Army Sustainment Command, Directorate for Army Prepositioned Stocks and Support Operations, Rock Island, IL
- U.S. Army Contracting Command, Rock Island Contracting Center, Rock Island, IL
- U.S. Army Sustainment Command, 2nd Battalion, 401st Army Field Support Brigade, Camp Arifjan, Kuwait
- U.S. Army Sustainment Command, 1st Battalion, 401st Army Field Support Brigade, Camp As Sayliyah, Qatar
- U.S. Army Strategic Logistics Activity, Goose Creek, SC
- U.S. Army Medical Materiel Agency, Force Projection Directorate, Goose Creek, SC
- U.S. Marine Corps, Headquarters, Arlington VA
  - Logistics Plans and Operations, Installations and Logistics
  - Plans, Policies & Operations
- U.S. Marine Corps, Blount Island Command, Jacksonville, FL
- U.S. Navy, Chief of Naval Operations, Logistics Operations, Arlington, VA
- Naval Facilities Engineering Command Expeditionary Programs Office, Arlington, VA

- U.S. Navy, Office of the Assistant Secretary of the Navy for Financial Management & Comptroller, Arlington, VA

We conducted this performance audit from May 2010 through November 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Defense



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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ACQUISITION,
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AND LOGISTICS

NOV 30 2010

Mr. William M. 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 response to the GAO draft report, GAO-11-85C, DoD Prepositioned Stocks, dated October 18, 2010 (GAO Code 351464). Detailed comments on the report recommendations are enclosed

Sincerely,

Nancy L. Spruill

Nancy L. Spruill
Director, Acquisition Resources
and Analysis

Enclosures:
As stated

GAO DRAFT REPORT DATED OCTOBER 18, 20107
GAO-11-85C (GAO CODE 351464)

"DOD PREPOSITIONED STOCKS"

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: SecDef direct the Joint Staff (JS) and Services to provide a more comprehensive picture of Preposition (PREPO) programs to include:

(1) Description, dollar value, and fill level of augmenting stocks
(2) All funding sources for PREPO programs, including working capital funds.

DOD RESPONSE: Concur. The Department will review the recommended additions to the report and determine the elements within each particular Service program that are appropriate to include in future reports.

RECOMMENDATION 2: SecDef direct the JS J3 and J5 to provide information it reports as part of the Joint Forces Readiness Review (JFRR) including (1) A summary of all DoD plans requiring PREPO stocks, (2) Combatant Commands (COCOM) assessment of specific execution risk to plans from PREPO shortfalls, (3) Measures in place to mitigate risks from shortfalls, and (4) Assessment of extent mitigation measures reduce risk.

DOD RESPONSE: Concur. The Department will include relevant information pertaining to prepositioned stocks it reports in the Joint Force Readiness Review and does not conflict with other risk/assessment reporting mechanisms. The Department already provides a comprehensive and more holistic approach to risk and mitigation strategies each year with its submission of the Chairman's Risk Assessment (CRA). The annual CRA, submitted to the President and SecDef along with Presidential Budget Request to Congress, considers not only shortfalls in prepositioning programs, but also all factors relating to DoD readiness and strategy. Reporting additional risks and mitigation strategies for specific execution of concept plans using only prepositioning program shortfalls could result in sub-optimized decision making.

RECOMMENDATION 3: SecDef direct USD(AT&L) to (1) Assess Global Prepositioning Materiel Capabilities Working Group (GPMCWG or WG) assigned tasks and membership, (2) Clarify WG authority/reporting structure within DoD, and (3) Implement effective oversight of WG.

DOD RESPONSE: Concur. The Department is currently conducting multiple prepositioning studies that have a high potential for significant change in structure and management of its prepositioning programs, the primary being the Vice Chairman of the Joint Chief of Staff (VCJCS) initiated SecDef Efficiency "Transforming Materiel Response Capabilities". The Department will assess the continued relevance of the GPMCWG and make necessary adjustments to its role and responsibility based on the outcome of these studies The recommendation to include USD(P) as a core member of the GPMCWG has already been completed, and contact has been established to include a core member from JS J5 and an as needed representative from JS J3/Readiness. The Department will codify lines of authority and reporting between the WG and other DoD components, which are already established. Primary linkages include the Global Force Management Board, Joint Logistic Board, and Joint Materiel Priorities and Allocation Board.

RECOMMENDATION 4: SecDef direct USD(P) to leverage expertise of GPMCWG members and results of PREPO studies to develop The Guidance for the Development of the Force (GDF) that includes planning and prioritized needs for PREPO stocks.

DOD RESPONSE: Concur. Current ongoing studies include the OSD(CAPE) "Global Prepositioned Materiel Capabilities Study", SecDef Efficiencies Initiative "Transforming Materiel Response Capabilities", and US TRANSCOM/DLA study "Comprehensive Materiel Response Plan" due to be completed by August 2011. The Department will develop strategic direction concerning prepositioned stocks that best meet national defense objectives based on the results.

RECOMMENDATION 5: SecDef direct the JS and Services to implement GDF with integrated DoD-wide management of PREPO assets across the department.

DOD RESPONSE: Concur. The Department will explore opportunities to integrate and synchronize DoD-wide prepositioning efforts using the results of the current ongoing studies. The studies were initiated to establish strategic guidance to manage prepositioned assets across the Department that lead to efficiencies and maximize effectiveness.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

William M. Solis, (202) 512-8365 or SolisW@gao.gov

Acknowledgments

In addition to the contact named above, individuals who made key contributions to this report include Grace A. Coleman, Rachel E. Dunsmoor, K. Nicole Harms, Oscar W. Mardis, Elizabeth D. Morris, Jason M. Pogacnik, David A. Schmitt, and Amie M. Steele.

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