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BY THE COMPTROLLER GENERAL

Report To The Chairman, Committee On Foreign Relations United States Senate

OF THE UNITED STATES

Appropriateness Of Procedures For Leasing Defense Property To Foreign Governments

The Department of Defense and the military departments have used the authority of Title 10, United States Code, Section 2667 to lease property to foreign governments. This legislation was originally intended to permit the lease of military equipment within the United States.

In 1980, military equipment valued at $48.4 million was leased rent free to Turkey, Honduras, and the Dominican Republic. In January 1981, six helicopters valued at $5.9 million were leased rent free to El Salvador. GAO believes that transfer of military equipments on this basis is tantamount to grant aid which should be authorized only under the Foreign Assistance Act.

The use, care, and maintenance of leased property has not been routinely verified during the time it is leased and because there is no standard policy for billing and collecting lease payments, their status cannot always be determined.

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APRIL 27, 1981

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-202833

The Honorable Charles H. Percy
Chairman, Committee on Foreign Relations
United States Senate

Dear Mr. Chairman:

As requested in a letter dated September 2, 1980, this report discusses the leasing of defense property to foreign governments under the authority of Title 10 of the United States Code, Section 2667. The report identifies the property leased from 1960 through January 1981, the recipient countries, and the relationship of leases under 10 U.S.C. 2667 to other arms transfer and military assistance legislation. The report also contains recommendations for amending 10 U.S.C. 2667 and for increased executive branch controls over leases.

At your request, we did not obtain agency comments. As arranged with your office, we plan an immediate distribution of the report.

Sincerely yours,

Milton J. Socolar

Acting Comptroller General
of the United States

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COMPTROLLER GENERAL'S
REPORT TO THE CHAIRMAN,
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

APPROPRIATENESS OF PROCEDURES
FOR LEASING DEFENSE PROPERTY
TO FOREIGN GOVERNMENTS

D I G E S T

Legislation, originally intended to aid the industrial facilities standby programs of the military services following World War II by authorizing the lease of defense plant production equipment and real property to domestic private commercial interests, has been used in recent years to transfer military equipment to foreign countries. In 1980, equipment valued at $48.4 million was leased rent free to Turkey, Honduras, and the Dominican Republic under the authority of 10 U.S.C. § 2667. In January 1981, six helicopters valued at $5.9 million were leased rent-free to El Salvador under this legislation. (See pp. 1, 6, and app. I.)

GAO believes that transfers of military equipment to foreign countries under rent free leases or leases with nominal rent are tantamount to grant aid which should be authorized only under the Foreign Assistance Act. The alternative is to sell the equipment under the Arms Export Control Act if the provisions of that Act are otherwise met. (See pp. 8 and 18.)

Over the years, military equipment has been transferred to foreign countries primarily on a grant basis under the Foreign Assistance Act or through sales made under the Arms Export Control Act and predecessor legislation. More recently, sales have increased as the Congress has reduced the number of countries to which military equipment could be granted from 31 in 1974 to 4 in fiscal year 1981--Spain, Portugal, Sudan, and the Philippines. (See pp. 4, 5 and 6.)

Title 10 of the United States Code, section 2667, which gives military departments authority to lease nonexcess property when it is in the public interest or will promote national defense, has been used by the departments and recently by the Office of the Secretary of Defense to lease defense property to foreign governments. During the period 1960 through January 1981, 97 leases amounted to about $169 million for such items as aircraft, ships, and weapons production equipment. (See p. 1 and app. I.)

Equipment has been leased to North Atlantic Treaty Organization (NATO) and other western countries as test samples to facilitate foreign military sales and to test the performance of preproduction property under unique conditions in those countries. The United States appears to have benefited from the leases as much as the lessee government by facilitating sales of U.S. manufactured defense items or by gaining valuable performance information on property not yet in production. Leases made for these purposes are not of great concern because they do not appear to conflict with the intent of arms control requirements. (See p. 11 and app. I.)

APPARENT AVOIDANCE OF ARMS TRANSFER STATUTES

Provisions in the Arms Export Control Act for reporting transfers of property valued at over $1 million to the Congress, and Foreign Assistance Act restrictions on countries eligible to receive grant aid military assistance have been avoided when property is leased to foreign governments using 10 U.S.C. § 2667. (See p. 6.)

Adoption of the Arms Export Control Act dollar threshold in the International Security and Development Cooperation Act of 1980 will prevent further avoidance of the reporting requirements; however, property can still be leased rent free or at nominal cost avoiding the controls in the Foreign Assistance Act. (See pp. 6, 9, 10 and 18.)

Two recent examples of this are the lease of six UH-1H "Huey" type helicopters to the Government of El Salvador to improve its defense capabilities and the rent free lease of defense property manufacturing equipment valued at $3 million to Turkey in October 1980. (See pp. 10, 11 and app. I.)

INAPPROPRIATE VALUATION OF LEASED PROPERTY

Often the value of leased property is based on an acquisition cost that is several years old and not equivalent to the property's replacement cost should it not be returned. Property eligible for lease must be nonexcess and is therefore expected to be returned to the United States for use again at a later date. Valuing this property according to provisions

pertaining to the sale of property expected to be replaced in section 21(a)(2) of the Arms Export Control Act would seem appropriate. Air Force and Army officials have said that they believe replacement cost to be the most appropriate value to place on leased property but they have not valued property on this basis because of a lack of instruction on how it should be done. Property values based on acquisition costs much lower than replacement costs could result in some leased property not being reported to the Congress. (See pp. 16 and 17.)

The Defense Security Assistance Agency has recently issued a change to the Military Assistance and Sales Manual concerning the valuation of leased property. The manual now requires military departments to value leased property at the current or most recent procurement value, whichever is higher. It further requires that if no current procurement is possible, then the last procurement value adjusted to include depreciation or appreciation as may be appropriate, will be the value assigned to the leased property. This value is to be used as the basis for reimbursement of lost or damaged leased property as well as for determining the need to report leases to the Congress in compliance with the recently enacted reporting requirement. GAO believes the new guidance should assist military departments and the Department of Defense to establish a more realistic value for property leased to foreign governments. (See p. 17.)

THE NEED FOR ACCOUNTABILITY AND CONTROL OVER LEASED PROPERTY

Neither the military departments nor the Defense Department has established procedures or instruction requiring leases to be managed in such a way as to ensure that lessee countries comply with the terms and conditions contained in lease agreements. As a result, the use, care and maintenance of leased property are not routinely verified during the lease time. Military property managers often do not know how a lessee government is using the property or the care it is receiving. (See pp. 13 to 16.)

Because there is no established standard policy for billing and collecting lease-associated

payments, officials cannot always determine the status of lease payments. Officials said there is no system or requirement to monitor lease-associated payments to ensure that they are timely. (See pp. 14 and 15.)

CONCLUSIONS AND RECOMMENDATIONS

The International Security and Development Cooperation Act of 1980 requires the reporting of lease information and is a step toward providing the Congress the oversight it seeks. However, there are no restrictions on rent free leases or those at nominal rent to to countries not eligible for such property under the Foreign Assistance Act. (See p. 18.)

The Congress should amend 10 U.S.C § 2667 to prohibit rent free or nominal rent leases of defense property to foreign governments. Transfers of military equipment on this basis should be done exclusively under the Foreign Assistance Act. (See p. 18.)

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to establish procedures for implementing, managing, and monitoring leases to foreign governments. These procedures should require the monitoring of lessee compliance with the terms in lease agreements as well as the assurance that all lease payments are made when due. (See p. 18.)

AGENCY COMMENTS

At the request of the Committee to expedite the issuance of the report, GAO did not solicit agency comments.

Contents

ABBREVIATIONS

AECA	Arms Export Control Act
DOD	Department of Defense
DSAA	Defense Security Assistance Agency
FAA	Foreign Assistance Act
FMS	Foreign military sales
GAO	General Accounting Office
MAP	Military Assistance Program

CHAPTER 1

INTRODUCTION

At the request of the Senate Foreign Relations Committee, we reviewed the implementation of the defense property leasing authority contained in 10 U.S.C. § 2667. Section 2667 authorizes the Secretaries of the military departments to lease nonexcess property when it is determined to be in the public interest or will promote national defense. This section originates from Public Law 80-364 which was enacted in 1947. It was intended to aid the industrial facilities standby programs of the military services following World War II by authorizing the lease of defense plant production equipment and real property to domestic private commercial interests. The military departments have used this authority to lease defense property such as aircraft, ships, and weapons production equipment to foreign governments.

The law, as initially enacted, required the Secretary of War or the Navy to submit a report of all leases entered into under the provisions of the Act to the Congress twice yearly. Subsequently in September 1951, Public Law 82-155 repealed the reporting requirements of Public Law 80-364 to reduce the volume of real estate transactions needed to be reviewed by the Congress. This also totally eliminated the reporting requirement for leases of property such as military equipment made to foreign governments. There remained no requirement for reporting the transfer of military equipment to foreign governments through lease agreements to the Congress until an amendment was added as a freestanding section of the International Security and Development Cooperation Act of 1980 enacted December 16, 1980. This was done as an effort to prevent further transfers of major military equipment to foreign governments without congressional oversight.

The text of section 2667 grants leasing authority to only the Secretaries of the military departments. However, the Office of the Secretary of Defense has on its own accord recently leased property under the provisions of section 2667 based on a Department of Defense (DOD) legal opinion issued in 1953 which DOD officials believe provides the Department the same authority as the military departments. In 1975, DOD added to the Military Assistance and Sales Manual the requirement that all leases of military equipment to foreign countries be approved by the Defense Security Assistance Agency (DSAA) before the lease is officially consummated. DSAA serves as the focal point for DOD in ensuring that the correct procedures are followed when property is leased to foreign countries.

Section 2667 has been used to transfer various types of defense property to foreign governments since at least the mid-1950s after DOD and the State Department concluded that the law was sufficiently broad enough to legally authorize such transactions. The following list is a sample of the variety of defense property that has been leased under the authority of section 2667.

Type of property	Lessor
Destroyer	Department of the Navy
Patrol frigate	" " "
Minesweeper	" " "
Landing-ship	" " "
Patrol aircraft	" " "
F-4 fighter aircraft	Department of the Air Force
T-37B trainer aircraft	" " "
Sidewinder missile guidance and control section	" " "
Maverick missile guidance and control sections	" " "
Huey helicopters	Department of the Army
Scout helicopters	" " "
TOW missiles and launchers	" " "
Rocket launcher equipment	" " "
Radar equipment	" " "
155mm Howitzer	" " "
M70 missile trainer	" " "
M48A5 tank	" " "
Weapons production equipment	Department of Defense

RATIONALE FOR USE OF SECTION 2667

Officials of the three military departments and DOD told us that section 2667 has been very useful in providing the authority needed to quickly respond to foreign government requests for assistance that could not be accommodated by any other statutory authority. They contend that section 2667 fills a need that arises from the limitations in other statutes such as the Arms Export Control Act (AECA) (22 U.S.C. § 2751 *et seq.*) and the Foreign Assistance Act (FAA) (22 U.S.C. § 2151 *et seq.*) As evidence of this rationale, all three military departments have used section 2667 to temporarily transfer property for several purposes including the use of rent free or nominal rent leases to non-Military Assistance Program (MAP) eligible countries. This has occurred when the recipient countries purportedly do not have sufficient funds to purchase the property.

The FAA prohibits the loan of property to non-MAP countries on a grant basis; however, the military departments contend that section 2667 permits such a transfer to occur. Leases made during the past 10 years have generally been for the following purposes:

1. For test and evaluation to facilitate a foreign military sale. Usually a single item is leased for a short duration, normally less than 6 months.

2. On a "quid-pro-quo" basis where the United States expects to receive as much benefit from the lease as the lessee country. For example, the test and

evaluation of equipment in unique environmental conditions. These are usually short-term, for less than 6 months.

3. To provide rent free or nominal rent leases over a period of from one to several years.

Case examples of property leased for each of these purposes will be discussed in chapter 3.

OBJECTIVES, SCOPE, AND METHODOLOGY

Consistent with the Committee's request, the objectives of our review were to examine the historical and present usage of section 2667 by the executive branch with respect to the lease of defense articles to foreign governments; to identify the countries involved; the type, quantity and value of leased property; and the terms and durations of the leases. A further objective was to determine the extent to which the use of section 2667 has resulted in the circumvention of congressional controls over arms transfers and military assistance.

We examined 97 lease agreements obtained from officials who are directly involved in the processing of section 2667 leases within the Army, Navy, Air Force and Defense Department. These officials said these were all the leases made under section 2667. We also interviewed officials and obtained documentation at the DSAA, the Arms Control and Disarmament Agency, the Office of the Secretary of Defense, and the Bureau of Politico-Military Affairs at the State Department to better understand the circumstances under which these leases have been made.

To verify the completeness and accuracy of information obtained at the headquarters level, and to assess the accountability over leased property, we visited 14 subordinate commands, as listed in appendix II, that have responsibility for ensuring that lessee governments comply with the terms of the lease agreements. The commands visited were selected because they have responsibility for the largest number of leases and/or leases of property with the greatest dollar value. We reviewed the terms and conditions of leased property valued at about $163 million of a total value of about $169 million of all property under lease during the period 1960 through January 1981. (See app. I.)

At the request of the Committee to expedite the issuance of the report, we did not follow the usual GAO practice of getting agency comments.

CHAPTER 2

LEGISLATION AUTHORIZING U.S. MILITARY ASSISTANCE TO FOREIGN COUNTRIES

The United States provides military assistance to foreign countries through the loan, grant, lease, and sale of defense equipment and services. The Foreign Assistance Act of 1961 and the Arms Export Control Act of 1976 and predecessor legislation are the primary statutory authorities for this assistance. The authority of 10 U.S.C. § 2667, which permits the lease of military equipment, is also being used to furnish such equipment to foreign governments.

The FAA and AECA contain restrictions on arms transfers and require reports to the Congress showing the quantity, value, type of property, and countries to which the property is transferred. The restrictions and reporting requirements contained in the legislation are indicative of congressional concern over the shipment of military equipment to foreign countries. The restrictions of the FAA and AECA have no effect on leases under the authority of 10 U.S.C. § 2667 and only recently (December 1980) have such transactions been required to be reported to the Congress.

FOREIGN ASSISTANCE ACT: THE GRANT AID MILITARY ASSISTANCE PROGRAM

The FAA authorizes the President to furnish grant aid military assistance to friendly countries where such assistance strengthens the security of the United States and promotes world peace. Commonly known as the Military Assistance Program, the Act provides authority for the loan and grant of defense articles and services, and the assignment of U.S. personnel to perform duties of a noncombatant nature. The loan and grant programs enable the United States to provide military equipment to countries financially unable to insure their internal or external security.

The Congress has periodically appropriated funds intended to reimburse the defense agencies for the cost of loans or grants of military equipment or services to foreign countries. The funds appropriated are also intended to serve as a ceiling on the amount of MAP aid available. Since enactment of the FAA, funding levels for MAP have declined from about $1.7 billion in fiscal year 1962 to about $110 million in fiscal year 1980.

The Congress has also severely limited the number of countries eligible to receive MAP aid. The first limitation was set in fiscal year 1967 and allowed 40 countries to receive MAP aid. This level was reduced to 31 countries for fiscal year 1974, 20 countries for fiscal year 1976, and to 8 countries for fiscal year 1978. A 1980 amendment further limited MAP aid in fiscal year 1980 to four countries, i.e., Portugal, Spain, Jordan and the

Philippines, and established dollar ceilings for each country. MAP aid was again limited to four countries for fiscal year 1981--Portugal, Spain, the Philippines, and Sudan.

The Congress has further controlled and overseen U.S. grant aid military assistance to foreign countries by explicitly limiting or prohibiting MAP aid to certain countries or groups of countries. In 1974, the Congress placed extra restrictions on military assistance to governments which have consistently violated internationally recognized human rights. Security assistance to police, domestic intelligence, and similar law enforcement organizations have also been restricted. From time to time, when circumstances warranted, military assistance for specified countries has been prohibited. These amendments to the FAA have sharply limited the military loan and grant programs and are indicative of the congressional intention to curtail, and eventually terminate, MAP aid.

ARMS EXPORT CONTROL ACT: MILITARY EQUIPMENT SALES

The Arms Export Control Act, as amended 1/, consolidated and revised foreign arms transfers legislation relating to the sale of military equipment. The stated purpose of the AECA is to further the U.S. policy of facilitating the common defense with friendly countries by authorizing sales of defense articles to these countries while restricting sales to other parties. All sales are to be consistent with U.S. foreign policy interests, the stated purposes of the FAA, the type of military requirement being satisfied, and the financial capability of the purchasing country. Sales are only permitted where the President finds it will strengthen the security of the United States and promote world peace.

The Congress also described a number of conditions which must be met before an arms sale could occur. For example, sales having an adverse effect on the combat readiness of U.S. Armed Forces are to be kept to a minimum, and a Presidential report to the Congress must be submitted prior to the sale explaining the circumstances. Sales to governments which aid or encourage terrorism are also restricted.

The Congress requires that most arms transfers be reported to it periodically. All transfers of equipment or services valued at $1 million or more must be reported to the Congress quarterly. Proposed transfers of arms for $25 million or more, or $7 million or more for major defense equipment, must be reported prior to the transfer and are subject to congressional disapproval.

1/The new title, "Arms Export Control Act", was added in lieu of "The Foreign Military Sales Act" by Sec. 201 of the International Security Assistance and Arms Export Control Act of 1976 (Public Law 94-329).

These reporting requirements were intended to provide the Congress with the information needed to monitor and, to a degree, control which countries receive equipment and the quantity and type of U.S. arms being transferred. This was to enable the Congress to exercise required legislative oversight over U.S. foreign policy programs.

TITLE 10 OF THE UNITED STATES CODE, SECTION 2667: THE LEASING AUTHORITY

This statute was enacted in 1947 enabling the military services to lease real and personal property to domestic corporations and State and local governments. More recently, the Department of Defense and the military services have been using the authority to transfer military equipment to foreign countries. Since 10 U.S.C. § 2667 is separate from the FAA and the AECA, the conditions which must be met and the restrictions placed on arms transfers under those statutes do not apply to transfers under 10 U.S.C. § 2667. From September 1951 until December 1980 there has been no requirement to report any transfers of military equipment under 10 U.S.C. § 2667 to the Congress.

The rent free lease of ten UH-1H helicopters to the Government of Honduras, and proposed leases of other major defense equipment, increased congressional concern about the use of 10 U.S.C. § 2667. As a result, the Congress amended the International Security and Development Cooperation Act, passed in December 1980 (Public Law 96-533, Dec. 16, 1980), to require reporting leases under 10 U.S.C. § 2667 in similar circumstances that sales under the AECA are reported. That is, leases of property valued at $25 million or more, or $7 million or more for major defense equipment, must be reported prior to implementation of a lease, provided the term of the lease exceeds 6 months. Leases for over 6 months of property valued at more than $1 million are to be reported to the Congress quarterly.

The new legislation insures that leases of equipment valued over the AECA dollar limits will receive prior congressional review or be reported quarterly, however, property can still be leased to foreign governments rent free or at nominal rent costs which avoids the controls of the FAA. Nominal rent as used in this report is an amount charged to the foreign government which is less than a reasonable annual amortization rate computed over the useful life of the property. For example, if the property to be leased is estimated to have a useful life of 10 years and has a replacement value of $100,000 and is being leased for 5 years, a reasonable rent would be equal to the straight line annual depreciation for the duration of the lease which in this example would be $50,000 computed in the following manner:

$100,000	(Replacement value)	=	$10,000/year	x 5 year	=$50,000
10 years	(Useful life)		(Annual depreciation rate)	(Duration of lease)	(Rent)

Examples of rent free and nominal rent leases are discussed in chapter 3.

CHAPTER 3

APPARENT AVOIDANCE OF ARMS TRANSFER STATUTES

Military equipment transferred to certain countries on a rent free or nominal rent basis is tantamount to grant aid which should be authorized only under the FAA. Property has also been leased to certain NATO countries to acquire equipment performance information and to facilitate foreign military sales which has benefited the United States as well as the lessee country.

PROPERTY LEASED ON A RENT FREE OR NOMINAL RENT BASIS TANTAMOUNT TO GRANT AID

In our March 21, 1973, report to the Senate Foreign Relations Committee entitled "Use of Excess Defense Articles and Other Resources to Supplement the Military Assistance Program" (B-163742), we identified that rent-free leases of defense property under the authority of section 2667 had been made since the late 1950s. We reported that 111 ships of various types, still on the Naval Vessel Register, were leased at no cost to foreign countries. We also reported that Defense Department officials had told us that the advantage of using section 2667 to transfer property through leases was that leases could be made without reimbursement from MAP funds for the associated costs of the leases, such as repair costs of returned property and replacement costs of lost property. In that report, we concluded that leases of defense articles made under the authority of section 2667 appeared to be a circumvention of the limitations in the FAA and recommended to the Committee that military assistance by grant, lease, or loan be authorized only under the FAA transfer authority.

Our June 25, 1974, report to the Congress entitled "How Ship Transfers to Other Countries are Financed" (B-163742), concluded that unreported nonreimbursed costs incurred by the Navy constituted "hidden" military assistance which was not apparent to the appropriate committees of the Congress. We recommended that the Congress enact legislation to require the disclosure of these costs regardless of the transfer authority utilized. Legislation consistent with this recommendation proposed by the Senate Foreign Relations Committee was rejected by the Conference Committee.

Our prior reports dealt principally with ship transfers; however, in our current review we identified similar practices and circumstances relating to the transfer of various other types of property on a rent free or nominal rent basis.

Property leased on a rent free/rent payable basis

During the period 1975 - January 1981, the value of leases of property for other than to obtain performance information and to facilitate a foreign military sale, on a rent free basis was $58.4 million. The following table shows the value of leases of this type made each year for calendar years 1975 - January 1981:

	Rent free	Rent payable	Totals
	(000 omitted)		
1975	$ 109	$ 3,823	$ 3,932
1976	704	2,778	3,482
1977	0	336	336
1978	20	1,141	1,161
1979	3,203	15,687	18,890
1980	48,386	3,304	51,690
January 1981	5,938	0	5,938
Total	$58,360	$27,069	$85,429

Most of the property transferred through the rent free leases went to countries not eligible for grant assistance under the FAA. For example in 1980 military equipment valued at $48.4 million was leased rent free to Turkey, Honduras, and the Dominican Republic. In January 1981, six helicopters valued at $5.9 million were leased rent free to El Salvador.

AVOIDANCE OF CONGRESSIONAL CONTROLS CONTINUES

Our analysis to determine if congressional controls over arms transfers and military assistance have been avoided by the lease of defense property to foreign governments included the following considerations:

--The congressional intent in the establishment of the AECA and the FAA included (1) providing for congressional review of military equipment sales, and (2) reducing the number of countries eligible for grant aid type military assistance and establishing ceilings on the amount of aid which can be provided.

--The position taken in our previous reports that the use of section 2667 is not an appropriate statute for the transfer of defense property for the purpose of providing military assistance to foreign governments and its use in this regard therefore avoided the limitations in the FAA.

--The position of the State Department's Deputy Assistant Legal Advisor For Politico-Military Affairs that section 2667 has been used to avoid limitations of the FAA and that use of section 2667 to make temporary transfers of defense property to foreign governments in place of either the AECA or the FAA likely would not hold up under a rigorous legal analysis of the statute.

Using these factors as criteria, we believe that defense property leased under the authority of section 2667 to provide equipment on a rent free or nominal rent basis has avoided the controls in the FAA.

The following examples were selected from 97 rent free or rent payable leases during April 1960 through January 1981.

UH-1H helicopters leased to Honduras and El Salvador

The U.S. Army leased ten UH-1H "Huey" type helicopters to the Government of Honduras in April 1980 and six to the Government of El Salvador in January 1981. Neither country is eligible for military assistance under the FAA and both leases were reportedly made to strengthen each country's capability to monitor its borders. The El Salvador lease has come under much controversy because of the current state of war that exists between the Government and revolutionary forces. The Army has placed a value of $925,000 on each of these helicopters which will be absent from the U.S. defense inventory for at least the 1-year term of each lease. Although the purpose for which the property was transferred was to strengthen each country's capability to monitor its borders, the rent free nature of these leases strengthens the argument for regarding them as another example of "hidden" grant aid type military assistance.

Jet trainer aircraft leased to Pakistan and Jordan

The Air Force leased eighteen T-37 jet trainer aircraft to the Government of Pakistan in 1976 for 2 years to be used in the training of Pakistani pilots. Since that time, the number of leased aircraft has been increased to 22 and new lease agreements made. The present lease will terminate in 1983. Pakistan pays about $10,000 annual rent for the use of each aircraft that are valued at a replacement cost of $830,000 each.

In 1975, six T-37 aircraft were leased to the Government of Jordan for 1-1/2 years to be used in training Jordanian pilots. Four of these were subsequently sold to Jordan. In 1978, three aircraft were added to the remaining two for a total of five and were leased until 1982. Jordan is required to pay $93,190 per year rent for the use of the five aircraft.

Pakistan is not eligible for military assistance through the FAA. At the time of the lease, Jordan was eligible for military assistance; however, according to Air Force officials, the country was still allowed to lease the property so no charges would be made against its Foreign Military Credit sale balance.

Defense property manufacturing equipment leased to Turkey

On October 17, 1980, the Department of Defense consummated a lease with the Government of Turkey for defense equipment to be used in the manufacture of ammunition, various kinds of rockets, and tank modification to strengthen Turkish defense capabilities. This is a rent free lease of property valued at $3 million. The property was initially leased for 10 years with the option for two additional 5-year terms. Turkey is not eligible for grant aid military assistance under the FAA.

Howitzers and missile trainer leased to Saudi Arabia

Six 155mm Howitzers (self-propelled) with cargo carriers and two command post carriers were leased to the Government of Saudi Arabia in 1976. The total value of the Howitzers is $2.8 million and terms of the lease required a single rent payment of $93,339 to cover the 32-month duration of the lease. A Redeye missile trainer leased in 1978 also to Saudi Arabia valued at $235,600 had a rent of $29,551 for the 1-1/2 year duration. The purpose of both of these leases was to provide training to Saudi Arabian forces and Saudi Arabia is not eligible for grant aid military assistance.

PROPERTY LEASED TO GAIN PERFORMANCE INFORMATION AND TO FACILITATE AN FMS TRANSACTION

Equipment has been leased to North Atlantic Treaty Organization (NATO) and other western countries as test samples to facilitate foreign military sales and to test the performance of preproduction property under unique conditions in those countries. The United States appears to have benefited from the leases as much as the lessee government by facilitating sales of U.S. manufactured defense items or by gaining valuable performance information on property not yet in production. Leases made for these purposes are not of great concern because they do not appear to conflict with the intent of arms control requirements.

An example of property leased under circumstances where the United States expects to receive as much benefit from its use as the lessee nation is the rent free lease of a NAVSTAR Global Positioning System valued at $500,000 to the Government of Norway in exchange for information generated from its use. Air Force officials said that valuable information regarding the NAVSTAR's capability in unusual atmospheric conditions was gained from

this lease. A "Pave Penny" Laser Spot Target Tracking System valued at $90,000 was similarly leased to the Netherlands in June 1980. The information gained is regarded as very useful by Air Force officials. Military department officials said that these leases facilitate situations where the United States and a foreign government would like performance information on certain equipment that requires foreign government involvement and participation in testing.

Defense property leased as test and evaluation samples to facilitate FMS transactions is usually for a single item and for short durations. The country is normally charged rent and is not obligated to make an FMS purchase when the testing is finished. An Army official said that several countries that purchase U.S. defense articles prefer to test and evaluate these items in their own environment before making a purchase. He said that, for example, the Government of Switzerland has national legislation that requires in-country testing before an FMS agreement can be consummated. He also said that the ability to lease test samples to India has facilitated the cultivation of the sales potential in this country where the Soviets have been dominant as the primary supplier of military equipment. For example a 155mm Howitzer valued at $1.3 million was leased to India for 3 months. Rent of $13,009 was charged.

CHAPTER 4

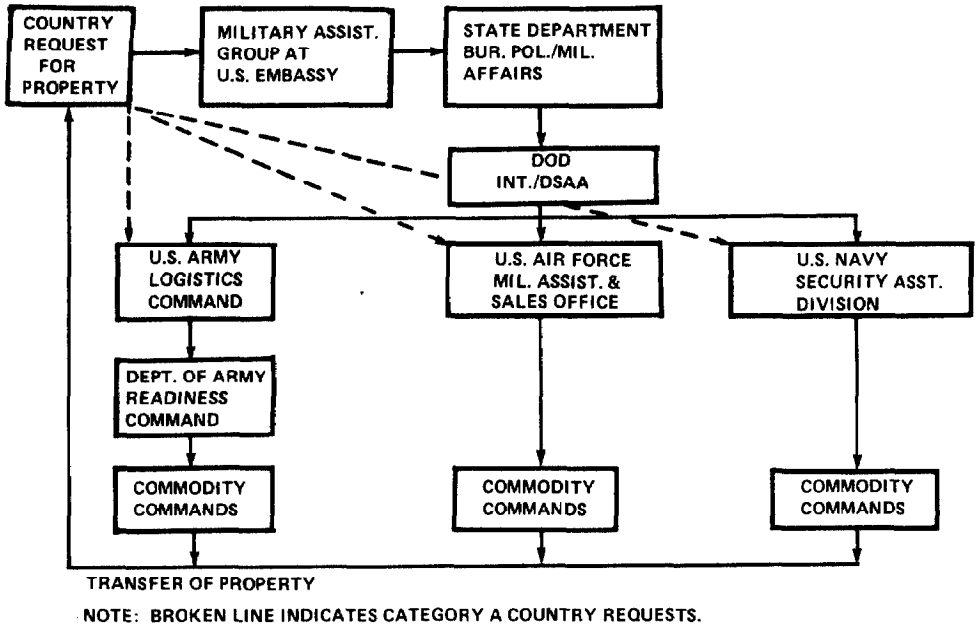
INADEQUATE CONTROL OVER LEASED PROPERTY

Although we found little evidence of lessee noncompliance with the provisions in lease agreements, the absence of standardized monitoring procedures has made noncompliance virtually impossible to identify. Similarly, the lack of attention given to the management of leases by the military departments has made it difficult to determine if lease payments are being made.

Defense property leased by each military department is not centrally controlled or managed at the departmental level. The Headquarters Commands told us that individual commodity commands or National Inventory Control Points are the levels at which leased property is reportedly controlled. These commands are responsible for initially determining the availability of the item from inventory, collecting rent, and assuring the property is returned in accordance with the provisions of the lease agreement.

The Department of Defense categorizes countries it transfers military equipment items to relative to its perception of the resultant security risk to the United States and its allies. From the standpoint of the inherent security risk of a lease, leases to Third World (category B) countries have received closer attention than leases to North Atlantic Treaty Organization countries (category A). The State Department has played a key role in leases to category B countries and has assumed the final authority in deciding if these leases will be made, the conditions of these leases, and the actions taken if the terms of the lease agreement are violated. Leases to category A countries have been handled more routinely in a manner similar to that of a foreign military sales transaction. The following chart illustrates the chain-of-events that are normally associated with a lease transaction:

FLOW CHART OF CHAIN-OF-EVENTS LEADING TO LEASE OF PROPERTY TO FOREIGN COUNTRY



NOTE: BROKEN LINE INDICATES CATEGORY A COUNTRY REQUESTS.

In the absence of specific direction on how leases are to be managed, upper and lower echelon commands in each of the three military departments have used the same procedures to manage leases that are used for foreign military sales transactions. After being notified by the Headquarters staffs that a lease of certain property has been arranged, the commands having custodial responsibility for the property arrange for its delivery to the lessee government. There is no procedure directing these commands to ensure compliance with the terms of the lease agreement with regard to the use made of the property, adequate maintenance of the property, timely payment of rent and other lessee financial obligations. Officials in all three military departments having control responsibility for property currently leased to foreign governments said they had been operating without guidance in managing leased property and were very uncertain as to the extent of their responsibility for the leased property. They said they had asked the Headquarters Commands for guidance and none was received.

Because of the increasing frequency of leases and the frustration of not knowing how to properly handle the management of leases, officials at the U.S. Army Security Assistance Center in New Cumberland, Pennsylvania, and the Air Force Logistics Command at Wright Patterson Air Force Base, Dayton, Ohio, said that in October 1980, each developed interim operating instructions regarding the management of leases. These instructions deal primarily with the fiscal accountability of leases in terms of the handling of payments made by the lessee government. In our visits to subordinate commands, two Army commands having control over most of the currently leased Army property were not aware of the new operating instruction. The Air Force directive was still categorized as being in draft form and officials agreed the directive did not address the issue of lessee compliance monitoring or provide adequate instructions pertaining to fiscal accountability.

Through discussions with "property item managers" in each military department, we determined that in some instances, information on the use made of leased property had been received from military or American contractor technicians who were providing assistance to the lessee government. In other instances members of U.S. Military Assistance Advisory Groups in the lessee country had knowledge of the usage. However, in no instance was this information routinely furnished or even required to be sent to the item manager except where there was joint involvement by the United States such as the lease of the NAVSTAR Global Positioning System to Norway. Item managers said that lease compliance monitoring could probably best be achieved through direct and routine participation by the U.S. Military Assistance Advisory Groups where they exist.

Item managers were uncertain how payments for rent, maintenance, and spare parts were being collected. Officials at the Security Assistance Accounting Center at Lowry Air Force Base, Denver, Colorado, said that rents received on Air Force leases

were collected and deposited into an FMS Trust Fund Account established for the particular country along with any FMS payments. At that point these deposits lost their identity as rent payments. They could not provide evidence that the funds were subsequently transferred to a U.S. Treasury Account as required by section 2667. Presently, total rent payments of about $4 million are required on current leases. They said there was no requirement to compare billings with receipts to ensure timely payment and that the present accounting system which does not include accounts payable and accounts receivable ledger accounts, would make this difficult if not impossible.

The laxity of financial controls over lease payments was further emphasized during our visit to the U.S. Army Security Assistance Center at New Cumberland, Pennsylvania. Officials there admitted that financial and management controls over leases have not existed. They said that to remedy this, procedural guidance was established in October 1980 as an effort to come to grips with the problem. The guidance sets forth policy procedures for lease payments to be collected by the U.S. Army Security Assistance Center which they contended has always been the policy. They added that since 1976, at Lowry Air Force Base, the Defense Security Assistance Accounting Center has had responsibility for collecting Army FMS payments but not lease payments. They admitted that much confusion has existed over how to handle lease payments, primarily due to the lack of specific guidance from the Headquarters Commands.

U.S. Army Security Assistance Center officials could show evidence that they had accountability control on only 8 of 19 Army leases and said that immediate steps would be taken to gain control over all Army leases. An example of the consequences that can occur when there are no effective financial controls was illustrated by a lease of property to Saudia Arabia in which rent of $40,836 was never received and the last records show the case was closed in 1976. U.S. Army Security Assistance Center officials admitted they only became aware of this discrepancy when preparing for our visit. They said the U.S. Embassy in Saudi Arabia would be contacted to follow up on this discrepancy. They also said that, because of the lack of priority given to establishing effective controls over leased property, similar discrepancies could have occurred.

LESSEE NONCOMPLIANCE WITH LEASE PROVISIONS

Military department officials said the most severe type of noncompliance is the failure of the lessee country to return the property at the expiration of the lease. We identified two instances of this. In one instance, Army-owned radar equipment valued at about $3 million leased rent free to Argentina in 1974 was not returned at the expiration of the lease in September 1979. DOD officials said that the State Department has been urged to negotiate an extension of the lease; however, because of Argentina's alleged human rights violations, the State Department has not wanted to renew the lease and due to foreign relations reasons has also

not wanted to ask for the return of the property. Therefore, for over a year, the property has remained in Argentina in an uncontrolled status. In another instance seven vessels valued at about $14 million leased by the Navy in the early 1960s and 1970s to the Government of Chile were not returned and have been in an uncontrolled status for up to 8 years. Navy officials said that because of the diplomatic uncertainties between the United States and Chile, the State Department has not wanted to ask for the return of the boats.

A DOD official said that at present there is no practical recourse that can be used to effect the return of leased property from a lessee government that will not do so voluntarily. He said this is always a potential problem in temporary transfers of defense property where at some future date the property is expected to be returned as compared to other one-directional types of security assistance such as sales. Military department officials within each command having custodial responsibility for leased property said that what is most needed are standard operating guidelines from the Headquarters level so that uniformity in the management of leases can be achieved.

In a discussion with Office of the Secretary of Defense officials, we were told of a provision in a recent lease of defense industrial equipment to Turkey that calls for periodic onsite inspection of the leased property by the chief of the Joint U.S. Military Assistance Team at the U.S. Embassy in Turkey. This appears to be an oversight control measure that might be incorporated into all leases where the United States has such representation.

INAPPROPRIATE VALUATION OF LEASED PROPERTY

Most often the value of leased property is based on an acquisition cost that is often several years old and not equivalent to the cost for replacing the property or similar property should it not be returned. Property eligible for lease must be nonexcess and is therefore expected to be returned to U.S. inventories and used again at a later date. A value for this property that is consistent with the provisions pertaining to the sale of property expected to be replaced in section 21 (a) (2) of the Arms Export Control Act would seem appropriate. This provision states that in the case of a defense article intended to be replaced at the time such sales agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value will constitute its selling price. Air Force and Army officials have said that they believe replacement cost to be the most appropriate value to place on leased property but have not done so because of the lack of instruction on how leased property is to be valued.

Property values based on acquisition costs much lower than values based on replacement costs could result in some leased property not being reported to the Congress under the provisions

of the International Security Development and Cooperation Act of 1980. For example, two T-37 aircraft leased to Jordan in June 1978 and three T-37 aircraft leased separately in July 1978, were valued at the depreciated value of $166,211 per aircraft. Therefore, both leases would not have been reported if the new law had been in effect in 1978 because their values would have fallen under the $1 million threshold. However, according to documents used to recover payment for a crashed aircraft, it was reported to have a replacement cost of $830,000 and therefore if this had been used as the value in the lease agreement, both leases would have been required to be reported to the Congress.

The Defense Security Assistance Agency has recently issued a change to the Military Assistance and Sales Manual which addresses the issue of valuation of leased property. The manual now requires military departments to value leased property at the current procurement value or most recent procurement value whichever is higher. It further requires that if no current procurement is possible, then the last procurement value adjusted to include depreciation or appreciation as may be appropriate in each circumstance, will be the value assigned to the leased property. This value is to be used as the basis for reimbursement in the case of lost or damaged leased property as well as for determining the need to report leases to the Congress in compliance with the recently enacted reporting requirement. We believe the new guidance should assist the military departments and DOD to establish a more realistic value for property leased to foreign governments.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Title 10 of the United States Code, Section 2667 has been used by the military departments and recently by the Office of the Secretary of Defense to lease property to foreign governments on a rent free or nominal rent basis. The transfer of military equipment to a foreign government on this basis is tantamount to providing grant aid which should only be authorized under the FAA. The alternative is to sell the equipment under the Arms Export Control Act if the provisions of that Act are otherwise met.

The recent enactment of section 109 of the International Security and Development Act of 1980 requires the reporting of lease information and is a step toward providing the Congress the oversight it seeks. However, the use of section 2667 to transfer military equipment on a rent free or nominal rent basis avoids the controls contained in the Foreign Assistance Act relative to the countries eligible to receive grant military assistance.

Through discussions with officials who have responsibility for the control and accountability of leased property at each of the three military departments, we learned that lessee country compliance with the agreed-upon terms of the leases are not monitored by any of the departments.

RECOMMENDATIONS

We recommend that the Congress amend 10 U.S.C. § 2667 to prohibit the lease of defense property to foreign governments on a rent free or nominal rent basis. Equipment transferred on this basis should be done exclusively under the authority of the FAA.

We further recommend that the Secretary of Defense direct the Secretaries of the Army, Navy, and Air Force to establish management control and accountability procedures over leased property. These procedures should require the monitoring of lessee compliance with the terms in lease agreements as well as the assurance that all lease payments are made when due.

LEASES TO FOREIGN GOVERNMENTS

1975 THROUGH JANUARY 1981

The following 58 leases of property valued at a total of about $95 million were initiated during the period 1975 through January 1981. The information is taken from the leases and related documents furnished by the lessor organizations.

In addition to these leases, there were 39 leases initiated during the period 1960-1974. The value of the property in these leases totals about $74 million and consists of 26 ship leases, 12 communication equipment leases, and 1 missile equipment lease. As of January 1981, the ship leases have been reduced to eight as a result of Department of the Navy efforts to sell the ships to the lessee country. The leases of communication equipment and ships have been extended. The lease for the missile equipment has expired and the property has not been returned.

LEASES TO FOREIGN GOVERNMENTS 1975 THROUGH JANUARY 1981

COUNTRY	ITEMS	DATE	DURATION	TOTAL RENT	LESSOR	VALUE	PURPOSE
El Salvador	4 ea. UH-1H Helicopters	1/16/81	1 yr.	None	Army	$3,700,000	Military Assistance
El Salvador	2 ea. UH-1H Helicopters	1/14/81	1 yr.	None	Army	$2,238,470	Military Assistance
Turkey	Weapons Production Equipment	10/17/80	10 yrs.	None	DOD	$3,000,000	Military Assistance
Dominican Republic	ATA-193 YO-213, Yard Oiler YO-215, Yard Oiler ATA-208, Auxiliary Ocean Tug Fleet Ocean Tug Harbor Tug	10/15/80	5 yrs.	None	Navy	$2,893,232	Military Assistance
Turkey	M48A5 Tank Location/Inspection Fixtures and Associated Equipment	10/7/80	5 yrs.	None	Army	$ 564,994	Military Assistance
Commander, Iberian Atlantic Area a/	2 ea. AN/BRR-3(A), Submarine Radio Broadcast Receivers	9/22/80	5 yrs.	None	Navy	$ 22,920	Quid Pro Quo
Netherlands	Pave Penny Targeting and Control Systems	9/15/80	3 mos.	None	Air Force	$ 90,000	Test/ Evaluation
Belgium	72 ea. TER-9A, F-16 Triple Ejection Bomb Racks	6/30/80	5 yrs.	$14,017	Air Force	$ 129,456	Military Assistance
Israel	F-16 Radar Test Bench	6/17/80	5 mos.	$41,051	Air Force	$ 612,104	Test/ Evaluation

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COUNTRY	ITEMS	DATE	DURATION	TOTAL RENT	LESSOR	VALUE	PURPOSE
Turkey	Destroyer (DD-822)	6/5/80	5 yrs.	None	Navy	$ 8,416,666	Military Assistance
Turkey	Destroyer (DD-842)	6/5/80	5 yrs.	None	Navy	$ 7,858,562	Military Assistance
Honduras	10 ea. UH-1H Helicopters	4/25/80	1 yr.	None	Army	$ 9,452,278	Military Assistance
Greece	90 mm Recoiless Rifle Specifications/Tolerance Gauges	4/15/80	1 yr.	$ 5,025	Army	$ 83,716	Military Assistance
Pakistan	16 ea. T-37B Jet Aircraft	4/3/80	2 yrs.	$268,354	Air Force	$ 2,659,376	Military Assistance
Canada	6 ea. LAU-57/A and LAU-58/A Missile Launchers and Associated Equipment	3/8/80	1 mo.	$ 1,161	Air Force	$ 108,000	Military Assistance
India	M198 Prototype 155 mm Howitzer and Associated Equipment	2/29/80	3 mos.	$ 13,009	Army	$ 1,300,000	Test/ Evaluation
Switzerland	4 ea. TOW Missile Launchers and Associated Equipment	2/20/80	2 mos.	$ 13,908	Army	$ 235,016	Test/ Evaluation
Turkey	Submarine (SS-563)	2/8/80	5 yrs.	None	Navy	$16,200,000	Military Assistance
Canada	2 ea. Aircraft Cargo Loaders	2/8/80	1 yr.	$ 3,159	Air Force	$ 76,200	Military Assistance

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COUNTRY	ITEMS	DATE	DURATION	TOTAL RENT	LESSOR
Australia	Test Equipment for AN/ALE - 40(V) Chaff Dispensing System	2/6/80	2 mos.	$ 92	Air Force
Korea	2 ea. C-47 Aircraft Engines	1/15/80	4 mos.	$ 257	Air Force
Switzerland	AN/TRS-2 Platoon Early Warning System	12/17/79	1 yr.	None	Army
Turkey	M48A5 Tank and Associated Equipment	11/6/79	5 yrs.	$224,030	Army
Switzerland	UH-60A Blackhawk Helicopter (leased to Sikorsky Co. for Swiss use)	10/26/79	2 mos.	$ 2,112 per flight hour	Army
Singapore	2 ea. AIM-9P Missile Guidance Control Sections	10/19/79	3 mos.	$ 224	Air Force
Pakistan	6 ea. T-37B Jet Aircraft	10/10/79	2 yrs.	$191,088	Air Force
Turkey	ARS-25 Auxiliary Repair Ship	9/28/79	5 yrs.	None	Navy
Norway	84 ea. TER-9A, F-16 Triple Ejection Bomb Racks	9/25/79	3 yrs. 2 mos.	$ 6,810	Air Force
Denmark	70 ea. TER-9A, F-16 Triple Ejection Bomb Racks	9/7/79	5 yrs.	$ 19,686	Air Force
Japan	Air Transportable Hydrant Refueling System	8/27/79	1 mo.	$ 220	Air Force
Philippines	AFDL-10, Floating Dry Dock	8/22/79	5 yrs.	None	Navy

COUNTRY	ITEMS	DATE	DURATION	TOTAL RENT	LESSOR	VALUE	PURPOSE
Norway	NAVSTAR Global Positioning System	8/20/79	1 yr.	None	Air Force	$ 500,000	Quid Pro Quo
Spain	4 ea. P-3A Aircraft	6/22/79	3yrs. 4 mo.	$2,962,333	Navy	$13,232,964	Military Assistance
Canada	AN/SSR-1 and OE82A Communications/Electronics Systems	4/13/79	1 yr.	None	Navy	$ 103,000	Test/ Evaluation
Netherlands	M198 Prototype 155 mm Howitzer	4/29/79	8 mos.	$ 30,563	Army	$ 1,300,000	Test/ Evaluation
Australia	AN/WSC-3 Satellite Communications Terminal Equipment	3/9/79	1 yr.	None	Navy	$ 160,000	Quid Pro Quo
England	31 ea. Trucks, 1 ea. Ambulance, 13 ea. Cargo Trailers, 2 ea. Water Tanks and 10 ea. Radio Sets	2/28/79	2 mos.	$ 10,211	Army	$ 485,060	Military Assistance
New Zealand	Communications/Electronics Equipment	2/15/79	2 yrs.	None	Navy	$ 48,000	Military Assistance
Japan	Air Transportable Hydrant Refueling System	1/23/79	10 days	$ 129	Air Force	$ 29,300	Test/ Evaluation
Canada	5 ea. LAU 57/A and LAU 58/A Missile Launchers and Associated Equipment	1/12/79	1 mo.	$ 252	Air Force	$ 108,000	Military Assistance
Netherlands	100 ea. TER-9A, F-16 Triple Ejection Bomb Racks	1/1/79	3 yrs.	$ 17,613	Air Force	$ 179,800	Military Assistance

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COUNTRY	ITEMS	DATE	DURATION	TOTAL RENT	LESSOR	VALUE	PURPOSE
Switzerland	AGM-65A Maverick Missile System	12/15/78	1 yr. 10 mos.	$ 23,184	Air Force	$ 26,218	Test/ Evaluation
Taiwan	77 ea. Nike Hercules Warhead Containers	8/10/78	4 yrs.	$ 29,722	Army	$ 74,305	Military Assistance
Jordan	3 ea. T-37B Jet Aircraft	7/22/78	4 yrs.	$147,467	Air Force	$498,633	Military Assistance
Jordan	2 ea. T-37B Jet Aircraft	6/10/78	4 yrs.	$ 98,311	Air Force	$332,422	Military Assistance
Saudi Arabia	M76 Redeye Missile System, Test Equipment and Spare Parts	5/4/78	1 yr. 6 mos.	$ 29,551	Army	$235,600	Military Assistance
Ecuador	AN/FRT-39 Radio Transmitting Set	4/5/78	5 yrs.	None	Navy	$ 20,000	Military Assistance
Sweden	AGM-65A Maverick Missile Helicopter Mounting Equipment	4/15/77	2 yrs. 8 mos.	$ 3,200	Air Force	$ 26,218	Test/ Evaluation
Australia	2 ea. APQ-128 Computers	2/4/77	8 mos.	$ 1,632	Air Force	$ 3,184	Military Assistance
Jordan	2 ea. T-37B Jet Aircraft	1/6/77	1 yr.	$ 37,276	Air Force	$332,422	Military Assistance
Israel	105 mm Artillery Ammunition Repair Equipment	12/20/76	1 yr. 6 mos.	None	Army	$629,135	Military Assistance
Ecuador	Communications/Electronics Equipment	11/10/76	5 yrs.	None	Navy	$ 74,370	Military Assistance

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COUNTRY	ITEMS	DATE	DURATION	TOTAL RENT	LESSOR	
Germany	OH-58A Helicopter, with Improved Scout Target Acquisition/Recognition System (ISTAR)	6/22/76	3 mos.	$ 4,483	Army	$
Saudi Arabia	6 ea. M109A1 155 mm Self-Propelled Howitzers, 6 ea. M548 Cargo Carriers, and Associated Equipment	5/27/76	2 yrs. 8 mos.	$ 93,339	Army	$
Pakistan	17 ea. T-37B Jet Aircraft	11/12/75	4 yrs.	$893,520	Air Force	$
Israel	FADAC Artillery Fire Direction Control Computer System	11/1/75	2 yrs. 6 mos.	None	Army	$
Jordan	6 ea. T-37B Jet Aircraft	9/7/75	1 yr. 6 mos.	$167,742	Air Force	$
Bolivia	Communications/Electronics Equipment	7/9/75	10 yrs.	None	Navy	$

a/This is a NATO Command located in Lisbon, Portugal.

U.S. MILITARY SUBORDINATE COMMANDS VISITED DURING REVIEW

Department of the Army
Readiness Command
Alexandria, Virginia

Department of the Army
Troop Support and Armament Readiness Command
St. Louis, Missouri

Department of the Army
Missile Command
Redstone Arsenal, Alabama

Department of the Army
Army Security Assistance Center
New Cumberland Army Depot
New Cumberland, Pennsylvania

Department of the Navy
Naval Operations, Security Assistance
Division
Crystal City, Virginia

Department of the Navy
Naval Electronics Systems Command
Crystal City, Virginia

Department of the Navy
Naval Telecommunications Command
Washington, D.C.

Department of the Air Force
International Programs Directorate
Military Assistance and Sales Office
Washington, D.C.

Department of the Air Force
Air Force Systems Command, Space Division
El Segundo, California

Department of the Air Force
Air Force Logistics Command Headquarters
Wright-Patterson Air Force Base
Dayton, Ohio

Department of the Air Force
Air Force Systems Command
Wright-Patterson Air Force Base
Dayton, Ohio

Department of the Air Force
Air Logistics Command, Material Management
Directorate
Kelly Air Force Base
San Antonio, Texas

Department of the Air Force
Air Logistics Command, Material Management
Directorate
Warner Robbins Air Force Base
Warner Robbins, Georgia

Department of Defense
Defense Security Assistance Agency
Security Assistance Accounting Center
Lowry Air Force Base
Denver, Colorado

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