September 20, 2012

Congressional Committees

Subject: Prepositioned Materiel and Equipment: DOD Would Benefit from Developing Strategic Guidance and Improving Joint Oversight

The Department of Defense (DOD) positions materiel and equipment1 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 location of a military conflict. In addition, DOD uses prepositioned materiel and equipment to support a variety of needs including security cooperation activities, multilateral training exercises abroad, humanitarian assistance, and disaster relief. Fiscal challenges require DOD to carefully balance the investment in prepositioned materiel and equipment to achieve both national military objectives and other DOD priorities. Prepositioned materiel and equipment played an important role in operations in Iraq and Afghanistan. However, sustained operations have taken a toll on the condition and readiness of military materiel and equipment. DOD has reported to Congress that the military services are committed to reconstituting prepositioned materiel and equipment but must balance these efforts with the department’s other priorities, such as restructuring capabilities within its prepositioned materiel and equipment and changes in its overseas military presence. For example, DOD issued a new defense strategy in January 20122 that discusses the impending drawdown in Afghanistan and a future emphasis on the Asia Pacific region, which are likely to have implications for prepositioned materiel and equipment.

Section 2229a of Title 10 of the United States Code requires DOD to report annually to the congressional defense committees on the status of prepositioned stocks as of the end of the fiscal year that precedes the fiscal year during which the report is submitted.3 Reports are to be submitted no later than the date of the submission of the President’s budget request for a given fiscal year. The reporting requirement was established by section 352 of the National Defense Authorization Act for Fiscal Year 2008, and was amended by section 341 of the National Defense Authorization Act (NDAA) for Fiscal Year 2012, which created additional reporting requirements. Prior to the enactment of the National Defense Authorization Act for 2012, DOD’s reports were required to address the following six elements:

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1DOD uses the terms, “prepositioned materiel and equipment” and “prepositioned stocks” interchangeably in its report for 10 U.S.C. §2229a. Thus, at times in this report, we refer to “prepositioned materiel and equipment” as “prepositioned stocks.”


1. The level of fill for major end items\(^4\) of equipment and spare parts in each prepositioned set at the end of the fiscal year covered by the report.

2. The material condition of equipment in the prepositioned stocks at 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 timeline 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 such complete reconstitution.

6. A list of any operations plan affected by any shortfall in the prepositioned stocks and a description of the action taken to mitigate any risk that such a shortfall may create.

The National Defense Authorization Act for Fiscal Year 2012, enacted in December 2011, added a requirement for the report to address six additional elements:

7. A list of any non-standard items slated for inclusion in the prepositioned stocks and a plan for funding the inclusion and sustainment of such items.

8. A list of any equipment used in support of Operation Iraqi Freedom, Operation New Dawn, or Operation Enduring Freedom slated for retrograde and subsequent inclusion in the prepositioned stocks.


10. The status of efforts to develop a joint strategy, integrate service requirements, and eliminate redundancies.

11. The operational planning assumptions used in the formulation of prepositioned stock levels and composition.

12. A list of any strategic plans affected by changes to the levels, composition, or locations of the prepositioned stocks and a description of any action taken to mitigate any risk that such changes may create.

Section §2229a of Title 10 of the United States Code requires us to review DOD’s report and, as appropriate, to submit to the congressional defense committees any additional information that will further inform the committees on issues relating to the status of the

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\(^4\)A major end item is a final combination of end products that is ready for its intended use, according to the DOD Supply Chain Materiel Management Regulation, DOD 4140.1-R, AP1.1.11.7 (May 23, 2003).
materiel in the prepositioned stocks. In response, we have issued several reports since 2005 addressing DOD’s reporting and management of its prepositioned materiel and equipment. In our earlier reports we identified a number of long-standing issues and made recommendations regarding the need for a DOD-wide strategy and enhanced joint oversight. For example, in September 2005 and again in May 2011, we recommended that DOD develop a department-wide strategy on prepositioned materiel and equipment to integrate and synchronize at a DOD-wide level the services’ prepositioning programs for maximizing efficiency in managing prepositioned materiel and equipment across the department to reduce unnecessary duplication. In our May 2011 report, we also found that DOD did not discuss all types of prepositioned materiel and equipment in its report. Also, it did not list any operation plans affected by shortfalls in prepositioned stocks, as required. Furthermore, DOD had limited department-wide guidance that would help ensure that its prepositioning programs accurately reflected national military objectives, and DOD faced organizational challenges that may hinder its efforts to gain efficiencies in managing prepositioned materiel and equipment across the department. We have recommended, among other things, that DOD (1) provide a more comprehensive picture of the full scope of the services’ prepositioning programs, (2) provide a summary of plans the services have determined include requirements for prepositioned stocks as well as a description of shortfalls, risk mitigation measures, and an assessment of reduced risk, (3) clarify DOD’s joint oversight structure for prepositioned stocks and leverage expertise to develop and implement authoritative strategic guidance, linking the department’s current and future needs for prepositioned stocks to evolving national defense initiatives. Specifically, we recommended in May 2011 that DOD assess the continued relevance of the Global Prepositioned Materiel Capabilities Working Group’s assigned tasks and membership as well as the group’s charter, and make any necessary adjustments to ensure that the working group’s objectives align with its activities. In addition, we included the need to strengthen joint oversight and synchronize at a department-wide level DOD’s prepositioning efforts in our March 2011 first annual report to Congress on potential duplication, overlap, and fragmentation in the federal government. In February 2012 follow-up work on our duplication report, we noted that DOD had taken some actions, but had not fully addressed our recommendations.

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5To determine if additional information would inform decision makers, we used GAO Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).
7DOD has established 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. The working group was expected to provide a DOD response on a GAO recommendation in February 2007 regarding the need for a department-wide prepositioning strategy and provide an overall view of DOD’s prepositioning programs to ensure that the services’ programs were synchronized.
On March 30, 2012, DOD submitted its fiscal year 2011 report on the status of its prepositioned materiel and equipment from October 2010 through September 2011. For our review of DOD’s fiscal year 2011 report, we determined (1) the extent to which DOD addressed the 12 reporting requirements, and what additional information, if any, could more fully inform the congressional defense committees on DOD’s prepositioned materiel and equipment; and (2) the progress DOD has made on implementing DOD-wide strategic guidance and joint oversight of its prepositioned materiel and equipment.

To evaluate the extent to which DOD’s annual report addressed the 12 reporting requirements set out in 10 U.S.C. §2229a, regarding prepositioned materiel and equipment, we analyzed DOD’s report on the status of prepositioned materiel and equipment for fiscal year 2011. We conducted a content analysis by having two analysts independently compare the prepositioned materiel and equipment information in DOD’s fiscal year 2011 report with the 12 reporting requirements in 10 U.S.C. §2229a. After analyzing these data and resolving any differences, we discussed the results of our analyses with DOD 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. We also reviewed DOD’s current (fiscal year 2011) and prior year’s (fiscal year 2010) annual prepositioning reports to Congress and met with service officials responsible for reporting on the prepositioning programs to discuss the methodology used for collecting and reporting on its materiel and equipment. To determine the extent to which DOD has made progress in developing overarching strategic guidance and joint oversight of its prepositioning programs, we reviewed DOD guidance, the Comprehensive Materiel Response Strategy and a draft of its forthcoming plan, and service guidance. We conducted meetings with DOD officials in the Office of the Secretary of Defense, the Joint Chiefs of Staff, all four of the military services, and the Defense Logistics Agency to discuss the extent to which department-wide guidance on prepositioned materiel and equipment has been developed and the status of joint efforts, including those conducted by DOD’s Global Prepositioned Materiel Capabilities Working Group. We discussed the actual activities the working group had performed with service and joint officials, including those who had participated in this working group, so that we could compare this information with the required responsibilities in DOD’s guidance. We did not independently assess the data DOD provided to Congress, but we discussed with service officials the reliability of the systems used to develop the report data. We 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 enclosure I. We conducted this performance audit from March 2012 through September 2012 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.

Summary

DOD’s fiscal year 2011 report partly addressed the required reporting elements\(^\text{11}\) and omitted some additional information that, while not required by law, would be useful for congressional oversight and decision making. Specifically, DOD’s report addressed the first five required elements. However, information on the sixth element was incomplete because, while DOD highlighted concerns relative to the commands’ theater objectives and strategies and prepositioned materiel and equipment, DOD’s report did not provide a list of operation plans affected by a shortfall in prepositioned stocks and a description of actions taken to mitigate risk. In addition, DOD’s report did not address the six elements added by the National Defense Authorization Act for Fiscal Year 2012. DOD officials said that those elements were not addressed in DOD’s fiscal year 2011 report because the report was already drafted when the requirements were enacted last December, and they plan to address these elements in their next annual report. DOD’s report also did not contain some additional information on prepositioned materiel and equipment, which we recommended in our May 2011 report because it would provide a fuller scope of DOD’s prepositioning programs. For example, the services place fuel distribution equipment and medical materiel and equipment and other capability sets—including water, habitability equipment such as tents, electrical power and distribution equipment, munitions and rations, among other items—that were not addressed in DOD’s report. Without full information on all 12 reporting requirements and complete information on the services’ prepositioned materiel and equipment, congressional decision makers do not have a complete picture of DOD’s prepositioned materiel and equipment, which would enable them to provide oversight and would inform decisions in a constrained fiscal environment.

DOD has not made progress in implementing DOD-wide strategic guidance and joint efforts to enhance oversight of its prepositioning programs since we last reported on this issue in 2011. Our prior work emphasizes the need for strategic planning as an important element in results-oriented management and that strategic planning can help clarify priorities and unify an agency in pursuit of shared goals. Moreover, setting timelines for implementation can build momentum and show progress. However, DOD has not set a timeline for developing or implementing strategic guidance on its prepositioned programs. In fall 2011, a DOD official stated that DOD had plans to provide such guidance that would enhance oversight, increase program efficiencies, and expand guidance to link prepositioning programs with national military objectives; however by spring 2012, officials said that DOD had changed its plans due to other departmental priorities. According to a DOD official, it is now unclear when DOD plans to issue department-wide strategic guidance on its prepositioning programs. However, without establishing a timeline for developing and implementing such guidance, DOD cannot be assured that its prepositioning programs accurately reflect national military strategies or new departmental priorities, such as the strategic shift in attention to the Asia Pacific region. In addition, DOD’s efforts to improve joint oversight of its prepositioning programs have been limited. We have previously reported that an increased emphasis on joint program management and oversight is needed to reduce unnecessary duplication and achieve cost efficiencies. DOD has established a working group made up of officials representing various services and offices within the department, which was expected to provide joint oversight and ensure the services’ prepositioning programs, were synchronized. However, the working group has not carried out all of its assigned responsibilities.

\(^\text{11}\) 10 U.S.C. §2229a.
responsibilities and without strategic guidance that emphasizes the importance of joint oversight and delineates clear lines of authority, the working group may not make changes to the way it has been operating. As a result, DOD may not be able to fully recognize potential efficiencies that could be gained by aligning the services’ prepositioning programs with each other and new departmental priorities.

We recommend that DOD set a timeline for implementing department-wide strategic guidance and ensure the guidance aligns prepositioning programs with national defense strategies and new departmental priorities. The guidance should also emphasize joint oversight to maximize efficiencies in prepositioned materiel and equipment across the department. In commenting on a draft of our report, DOD concurred with our recommendation. DOD’s comments are reprinted in enclosure II.

Background

Through their individual programs, each of the military services maintains preconfigured groups of combat and logistics materiel and equipment on ships and ashore at locations around the world. These preconfigured groups of materiel and equipment—or sets—are intended to speed the response times of U.S. forces to operating locations and reduce the strain on airlift and sealift assets. The Army stores sets of combat brigade materiel and equipment, supporting supplies, and other materiel and equipment at land sites in several countries and aboard ships in the Pacific and Indian oceans. The Marine Corps stores materiel and equipment for its forces aboard ships stationed around the world and at land sites in Norway. The Air Force stores ammunition at land sites and aboard stationary ships, and prepositions materiel and equipment, vehicles, and supporting supplies at several land sites. Additionally, the Navy stores materiel and equipment and supplies at similar locations to support the offloading of ships, deployable hospitals, and construction projects.

DOD’s prepositioned materiel and equipment is intended to support national military objectives which are described in strategic and operational documents, including the National Defense Strategy, the National Military Strategy, and the geographic combatant commanders’ plans. The Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics and the Joint Staff Logistics Directorate provide implementation governance and oversight of DOD’s materiel and equipment, including prepositioned materiel and equipment. DOD apportions prepositioned materiel and equipment among the combatant commands according to joint strategic guidance planning. Combatant commanders periodically review plans, assess risk, and report the results to the Chairman of the Joint Chiefs of Staff. By providing needed prepositioned materiel and equipment, the military services can reduce the risk associated with a plan.

DOD’s Fiscal Year 2011 Report Partially Addressed Required Elements and Omitted Some Additional Information that Would Provide a More Complete Picture of Its Prepositioned Materiel and Equipment

DOD’s fiscal year 2011 report on prepositioned materiel and equipment, submitted in response to section §2229a, addressed five of the reporting requirements, partially addressed the sixth requirement, and did not address the six additional reporting elements recently added by the National Defense Authorization Act for Fiscal Year 2012. Also, DOD improved some aspects of its reporting on prepositioned materiel and equipment compared to its previous fiscal year’s report, but its fiscal year 2011 report omitted certain information
which, while not required by law, would be useful to decision makers in obtaining a more complete understanding of DOD’s prepositioning programs.

DOD’s Report Addressed Five Reporting Elements, Partially Addressed One, and Did Not Address the Remaining Six Elements

DOD provided information on the first six reporting elements, enumerated in section §2229a, in its fiscal year 2011 annual report on prepositioning, but the sixth element was only partially addressed. In addition, DOD did not provide information on the remaining six elements required by the statute. Our assessment is summarized in the following table.

<table>
<thead>
<tr>
<th>Reporting elements</th>
<th>Our assessment of DOD’s report</th>
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<tbody>
<tr>
<td>(1) The level of fill for major end items of equipment and spare parts in each prepositioned set at the end of the fiscal year covered by the report.</td>
<td>Addressed</td>
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<tr>
<td>(2) The material condition of equipment in the prepositioned stocks at the end of such fiscal year, grouped by category or major end item.</td>
<td>Addressed</td>
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<tr>
<td>(3) A list of major end items of equipment drawn from prepositioned stocks during such fiscal year and a description of how that equipment was used and whether it was returned to the stocks after being used.</td>
<td>Addressed</td>
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<tr>
<td>(4) A time line for completely reconstituting any shortfall in the prepositioned stocks.</td>
<td>Addressed</td>
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<tr>
<td>(5) An estimate of the amount of funds required to completely reconstitute any shortfall in the prepositioned stocks and a description of the Secretary’s plan for carrying out such complete reconstitution.</td>
<td>Addressed</td>
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<tr>
<td>(6) A list of any operations plan affected by any shortfall in the prepositioned stocks and a description of any action taken to mitigate any risk that such a shortfall may create.</td>
<td>Partially addressed</td>
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<tr>
<td>(7) A list of any non-standard items slated for inclusion in the prepositioned stocks and a plan for funding the inclusion and sustainment of such items.</td>
<td>Not addressed</td>
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<tr>
<td>(8) A list of any equipment used in support of Operation Iraqi Freedom, Operation New Dawn, or Operation Enduring Freedom slated for retrograde and subsequent inclusion in the prepositioned materiel and equipment.</td>
<td>Not addressed</td>
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<tr>
<td>(9) An efficiency strategy for limited shelf-life medical stock replacement.</td>
<td>Not addressed</td>
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<tr>
<td>(10) The status of efforts to develop a joint strategy, integrate service requirements, and eliminate redundancies.</td>
<td>Not addressed</td>
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<tr>
<td>(11) The operational planning assumptions used in the formulation of prepositioned stock levels and composition.</td>
<td>Not addressed</td>
</tr>
<tr>
<td>(12) A list of any strategic plans affected by changes to the levels, composition, or locations of the prepositioned stocks and a description of any action taken to mitigate any risk that such changes may create.</td>
<td>Not addressed</td>
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Source: GAO analysis.

We assessed five of the elements as being addressed because the information provided in the report was responsive to the reporting requirements set out in section §2229a. We assessed the sixth element as being partially addressed because the report did not provide all the required information. Element six requires DOD to list any operation plan affected by a shortfall in prepositioned stocks and a description of the action taken to mitigate any risk such a shortfall may create. In the report, DOD stated that it did not directly relate prepositioning shortfalls to any operation plan execution risk. Instead, the report highlighted capability gaps relative to the combatant commands’ theater objectives and strategies. For example, it identified needed investments in overseas infrastructure and prepositioned materiel.
support capabilities to meet future challenges and a variety of operational demands. However, without the information required in element six, Congress may lack information about risk as it applies specifically to operation plans affected by shortfalls in prepositioned stocks and the extent to which DOD has mitigation measures to reduce these risks. We recommended in our May 2011 report that DOD’s report provide this information, together with readiness information DOD already collects and reports, which would enable DOD to provide Congress with fuller information about how prepositioning materiel and equipment shortfalls specifically affect the operational readiness of the force. DOD concurred with our recommendation and said it would include relevant information pertaining to prepositioned materiel and equipment that does not conflict with other risk or assessment reporting mechanisms. However, in its comments, DOD stated that the department already provides a comprehensive and more holistic approach to risk and mitigation strategies each year and that reporting additional risks and mitigation strategies for specific execution of concept plans using only prepositioning program shortfalls could result in sub-optimized decision making. We continue to believe that without clearly articulating the extent to which shortfalls in prepositioned stocks, relative to other factors, contribute to the risks, 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.

DOD’s fiscal year 2011 report also did not address the six new reporting elements added by the National Defense Authorization Act for Fiscal Year 2012, but DOD plans to address them in the next annual report for fiscal year 2012. According to DOD officials, they did not address the added six elements because they did not have sufficient time to compile the additional information for the fiscal year 2011 report—explaining that at the time the requirement for the six additional elements was enacted in December 2011, DOD’s fiscal year 2011 report had already been drafted. Joint Staff officials said they will need to provide considerable lead time for the services to assemble the information needed to respond to the new elements.

DOD’s Fiscal Year 2011 Report Improved Reporting of Some Information but Omitted Other Useful Data on Prepositioned Programs

DOD has improved the reporting of some information, but its fiscal year 2011 report did not include other information on prepositioned materiel and equipment which, while not required by law, would provide decision makers with a more complete picture of DOD’s prepositioning programs. DOD made some positive changes in its reporting on prepositioned materiel and equipment since its fiscal year 2010 report. In September 2011,12 we reported that DOD’s annual report would provide Congress with the visibility to better assess the status and condition of prepositioned materiel and equipment if information was provided on (1) comparisons of all major end items or spare parts, the objective levels, percentage levels of fill, and serviceability rates for the current and previous fiscal year; and (2) an explanation of significant changes from the previous report such as the reasons for the addition of new items or changes to the objective level, level of fill, or serviceability

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12 GAO-11-852R.
DOD concurred with our recommendations and included this information in its fiscal year 2011 report, resulting in a more informative report for Congress.

However, DOD’s fiscal year 2011 report did not include information on the full range of DOD’s prepositioning programs, which would provide Congress more comprehensive information when weighing the scope of options available to meet national military objectives within these programs. This could be especially helpful in finding potential efficiencies to be gained in today’s increasingly fiscally constrained environment. Accordingly, we have recommended in the past that DOD provide a fuller 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 materiel and equipment, including working capital funds. DOD concurred with our recommendation and stated it would determine elements in the services’ programs that are appropriate to include in future reports, but generally did not include this information in its fiscal year 2011 report.

Specifically, in DOD’s fiscal year 2011 report, we determined that the following information was not included:

- **Army**: DOD’s report included Army operational projects and war reserve sustainment stocks stored at land sites and aboard prepositioning ships that were not in the fiscal year 2010 report. However, the fiscal year 2011 report did not include other Army-owned items that are managed by the Defense Logistics Agency, such as rations. Army officials said that it is not their responsibility to report this information because they do not manage it, while Defense Logistics Agency officials told us that the Army should report it because they own the items. Including this information in DOD’s report would result in more complete information for decision makers on the Army’s prepositioning program.

- **Air Force**: DOD’s report did not include Air Force munitions, auxiliary fuel tanks, missile launchers, pylons, ejector racks, and adapters, medical stocks, fuel, and Defense Logistics Agency-managed items such as rations. DOD’s fiscal year 2010 report provided a more complete picture of the Air Force prepositioned materiel and equipment in accordance with what we had recommended, in that it included munitions, rations, and fuel in that report. Air Force officials told us that similar data were submitted for inclusion in DOD's report.

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13 The objective level of fill denotes the desired quantity of an item the service determines is necessary in its current prepositioning program, the level of fill shows the percent relationship of on-hand to objective quantities, and serviceability rates show the percentage of end items that are mission capable among those that are on-hand in prepositioned materiel and equipment.

14 Army operational projects stock is authorized material above unit authorizations designed to support Army operations or contingencies stocks stored at land sites and aboard prepositioning ships. It includes equipment and supplies for special operations forces, bare base sets, petroleum and water distribution, mortuary operations, and prisoner-of-war operations.

15 War reserve sustainment stock is replacement equipment for losses in early stages of operations or until resupply is established and is stored at land sites and aboard prepositioning ships. It includes major end items such as tracked vehicles, and secondary items such as meals, clothing, petroleum supplies, construction materials, ammunition, medical materials, and repair parts.
in the fiscal year 2011 report. However, the information was omitted from DOD’s final report to Congress for reasons that officials could not recall.

- **Marine Corps:** The Marine Corps prepositions fuel distribution equipment and medical stocks to support an entire deploying brigade or force, and other capability sets including water, habitability equipment such as tents, electrical power and distribution equipment, and rations. However, these items were not included in DOD’s report.

- **Navy:** DOD’s report did not include details about the Navy’s prepositioned materiel and equipment. For example, it did not include equipment categories, consisting of rolling stock such as vehicles and generators and non-rolling stock, such as tents and communications gear.

**Continued Lack of Overarching Strategic Guidance and Limited Joint Service Efforts Hinder Oversight, and Could Result in Overlap, Duplication, and Inefficiencies among the Services’ Prepositioning Programs**

DOD has not made progress in implementing overarching DOD-wide strategic guidance and joint efforts to enhance oversight of its prepositioned programs since we last reported on these issues in 2011. In the absence of clearly stated departmental needs and priorities for prepositioned materiel and equipment, the services may not be able to shape their prepositioning programs to most effectively and efficiently meet changing departmental priorities. Furthermore, without department-wide guidance and joint oversight, DOD may not be able to fully recognize potential efficiencies that could be gained by synchronizing the services’ prepositioning programs with each other and with the new defense strategy that includes reducing troops in Afghanistan and shifting focus to the Asia Pacific region.

**DOD Lacks Overarching Strategic Guidance for Its Prepositioned Programs**

DOD had planned to develop department-wide strategic guidance for its prepositioning programs, but these efforts have not materialized because of other departmental priorities. Our prior work emphasizes that strategic planning is an important element in results-oriented management and that it can help clarify priorities and unify an agency in pursuit of shared goals. Moreover, setting timelines for implementation can build momentum and show progress. In June 2008, DOD issued an instruction directing the Undersecretary of Defense for Policy to develop and coordinate Guidance for Development of the Force for approval by the Secretary of Defense that identifies an overall prepositioned materiel and equipment strategy to achieve desired capabilities and responsiveness in support of the National Defense Strategy. DOD’s guidance for prepositioning materiel and equipment would provide the services with information on the medium- and long-term department-wide priorities they need to effectively determine the resources needed to meet future contingencies, thus linking DOD’s prepositioning programs with the overall national defense strategies.

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We reported in May 2011 that DOD had limited department-wide 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.\textsuperscript{19} We noted that DOD had developed department-wide guidance at the time, referred to as Guidance for Development of the Force, but that it did not contain any information related to prepositioned materiel and equipment even though DOD’s 2008 instruction on prepositioned materiel and equipment specifically directed the development of such guidance. We recommended that DOD develop appropriately detailed authoritative strategic guidance, and that the guidance include planning and resource priorities linking the department’s current and future needs for prepositioned materiel and equipment to evolving national defense objectives. In response, DOD stated that it would develop strategic direction concerning prepositioned materiel and equipment. In the fall of 2011, a DOD official stated that an ongoing department-wide review—which would result in the Comprehensive Materiel Response Plan—would enhance joint oversight, increase program efficiencies, expand guidance to link prepositioning programs with national military objectives, and might lead to revisions in the department’s prepositioning strategy.

However, DOD’s Comprehensive Materiel Response Strategy, issued in May 2012, and its forthcoming plan, scheduled for issuance in September 2012, do not provide guidance for its prepositioning programs. DOD officials said that is because, in spring 2012, they received new direction for this effort, and the strategy and forthcoming plan now focus on integrating and synchronizing materiel response to support the full range of military activities, which is much broader than prepositioned materiel and equipment. According to DOD officials, the Comprehensive Materiel Response Plan is currently in draft, involves three overlapping phases, and is not scheduled to be fully implemented until fiscal year 2020. An official further stated that it is unclear when DOD plans to issue department-wide strategic guidance on its prepositioning programs. Moreover, with this shift in focus, DOD does not currently have a set timeline for developing and implementing strategic guidance that focuses specifically on prepositioned materiel and equipment.

While no department-wide strategy exists that specifically addresses prepositioned materiel and equipment, some services have developed strategies to guide their efforts. For example, the Army and the Marine Corps have developed individual strategies for their prepositioning of materiel and equipment, which officials said were coordinated within DOD before issuance. However, without overarching department-wide guidance, there is no assurance that these strategies are linked to the department’s objectives or to each other. As far back as 2005, we reported that each of the military services and the Defense Logistics Agency were planning the future of their prepositioning programs without the benefit of an overall plan or joint doctrine to coordinate their efforts. Thus, it was unclear to us how the programs would fit together to meet the evolving defense strategy. DOD officials representing the Joint Staff and the services agreed with our assessment and shared our concerns. Seven years later, little progress has been made. Individual prepositioning programs not linked to overarching strategic guidance could lead to inconsistencies and overlap and duplication between the services’ prepositioning strategies and the new defense strategy within the department. Without a set timeline for the development and implementation of department-wide strategic guidance that aligns DOD’s prepositioning programs with national defense strategies and new departmental priorities, DOD could face

\textsuperscript{19} GAO-11-647.
difficulties in effectively planning and implementing its prepositioning programs and risks the potential for duplicative or unaligned efforts among the services.

**DOD Has Made Limited Efforts to Enhance Joint Oversight of Its Prepositioning Programs**

DOD’s efforts to improve joint oversight of its prepositioning programs have been limited in part because the Global Prepositioned Materiel Capabilities Working Group was expected to provide joint oversight but has not been functioning as intended. We have previously reported that an increased emphasis on joint program management and oversight of prepositioned materiel and equipment is needed to reduce unnecessary duplication and achieve cost savings and efficiencies. Although DOD has developed and initiated some joint efforts, many of these initiatives do not specifically address prepositioning materiel and equipment, but rather focus broadly on supporting the full range of military activities.

DOD Instruction 3110.06, *War Reserve Materiel (WRM) Policy*, directed the establishment of the Global Prepositioned Materiel Capabilities Working Group comprised of officials from the services, joint organizations, and entities within the Office of the Secretary of Defense. 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. Based on its charter, the working group’s joint prepositioning activities include, among other things, providing oversight of DOD’s prepositioning program, addressing joint issues concerning requirements and positioning of prepositioned materiel and equipment, and making recommendations that balance limited resources against operational risk for use during budget and program reviews. However, the group has not carried out all of the responsibilities specified in the instruction or in its own charter related to prepositioned materiel and equipment. Rather, officials said that the main responsibility of the working group has been to consolidate the services’ individual submissions on their prepositioning programs into DOD’s annual report for Congress. According to DOD officials, the working group has met only sporadically and has not yet addressed many of the duties specified in its charter. Without strategic guidance that emphasizes the importance of joint oversight of prepositioned materiel and equipment, the working group may continue to operate as it has been with little change to enhance jointness across the services.

We identified the need to strengthen joint oversight and synchronize prepositioning programs at a department-wide level in our first annual report to Congress on potential duplication, overlap, and fragmentation in the federal government. Although DOD has developed some joint activities, many of these efforts are either in very early stages or do not specifically address prepositioned materiel and equipment but focus instead on more broadly supporting the full range of military activities. For example, DOD has an initiative entitled the Global Campaign Plan for Distribution that focuses on the global distribution of DOD assets, and its forthcoming Comprehensive Materiel Response Plan calls for the integration and synchronization of DOD assets across the services. However, neither of these plans contains details on where to position or how to manage prepositioned materiel and equipment.

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21GAO-11-318SP.
Our May 2011 report noted that DOD and service officials believed that better synchronization and integration among the services’ prepositioning programs and other components within DOD may result in efficiencies or cost savings. We stated, in particular, that 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. In March 2011, the Office of Secretary of Defense’s Cost Assessment and Program Evaluation office briefed senior DOD officials on a study that resulted in reassessing DOD’s prepositioned materiel and equipment. This Global Prepositioned Materiel Capabilities Study reviewed prepositioned materiel and equipment capabilities and usage in selected operations during a 20-year period. According to officials who worked on the study, the study assessed the services’ prepositioning programs from DOD-wide and joint service perspectives and raised issues about prepositioned capability requirements. The study supported changes that DOD subsequently made in Army and Marine Corps prepositioned materiel and equipment sets. However, according to DOD officials, the study was conducted on a one-time basis and DOD does not have any plans to assess prepositioned materiel and equipment on a routine or scheduled basis. Without sustained joint oversight and an emphasis on prepositioning programs, DOD may not be able to fully recognize potential efficiencies that could be gained by synchronizing the services’ prepositioning programs with each other and overarching departmental objectives and priorities.

Conclusions

DOD’s prepositioned materiel and equipment have been critical to forces in support of recent operations. As DOD plans to reduce troops in Afghanistan and shift its strategic emphasis to the Asia Pacific region, prepositioned materiel and equipment will likely continue to play a vital role in shaping U.S. defense strategy and achieving success in future operations. DOD’s fiscal year 2011 report to Congress on its prepositioned materiel and equipment made some notable improvements compared with the department’s previous reports. By including information on comparisons of all major end items or spare parts, objective levels, percentage levels of fill, and serviceability rates for the current and previous fiscal year, as well as explanations of significant changes from the previous year, decision makers now have a better understanding of changes in the department’s prepositioned materiel and equipment from year to year. However, until DOD fully addresses all 12 reporting elements, including the sixth element of section §2229a, and includes more complete information on the services’ prepositioned programs, the report may continue to hinder a complete understanding of DOD’s prepositioned materiel and equipment. Furthermore, because DOD did not address recently enacted reporting elements 7 through 12 of §2229a, Congress does not have the benefit of considering information related to those elements while making decisions that weigh competing departmental priorities. Because we have previously recommended that DOD fully address reporting element six, we are not making the same recommendation in this correspondence. However, we continue to believe that providing a list of operation plans affected by a shortfall and the action taken to mitigate any risks created by that shortfall would result in a more complete picture of DOD’s prepositioned materiel and equipment.
Changing national and defense strategies and the ongoing evolution in the types of contingencies that may require DOD involvement create challenges for the department in determining future demand for prepositioned materiel and equipment. These challenges underscore the importance and urgency of developing department-wide strategic guidance that clearly articulates departmental needs and priorities for prepositioned materiel and equipment and aids the services in shaping their programs to most effectively and efficiently meet those needs and priorities. Since 2005, we have identified the need to establish an overarching strategy for the services’ prepositioning programs and while DOD has concurred with our recommendation in this area, its planned efforts have not materialized, and it has not provided department-wide direction for managing prepositioned materiel and equipment. Furthermore, as DOD—and the nation—face fiscal constraints in the coming years, setting a timeline for developing overarching strategic guidance that emphasizes joint oversight of DOD’s prepositioning programs is essential to reduce any unnecessary overlap, duplication, and inefficiencies among the services and to maximize cost savings while minimizing risks.

Recommendation for Executive Action

To more effectively plan and implement its prepositioned materiel and equipment programs, improve oversight, and reduce potential for duplicative efforts, the Secretary of Defense should direct the Undersecretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff, to set a timeline for implementing our prior recommendation to develop overarching strategic guidance on DOD’s prepositioning programs. The strategic guidance should ensure that DOD’s prepositioning programs align with national defense strategies and new departmental priorities. It also should emphasize joint oversight to maximize efficiencies in prepositioned materiel and equipment across the department.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD for comment. In written comments, DOD concurred with our recommendation. DOD’s comments are reprinted in their entirety in enclosure II.

DOD concurred with our recommendation that the Secretary of Defense direct the Undersecretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff, to set a timeline for implementing our prior recommendation to develop overarching strategic guidance on DOD’s prepositioning programs. DOD said it is in the process of developing its Comprehensive Materiel Response Plan with the intent of combining supply chain activities associated with the most often used, common items required by the warfighter to support the range of military activities. DOD also said its intent is to improve accessibility to its prepositioned capability sets by expanding its application beyond combat operations to include security, engagement, and relief and reconstruction activities. According to DOD, the Comprehensive Materiel Response Plan, once published, will reach full operational capability by 2020.

DOD comments indicate that it intends to move forward with its broader approach to integrate and synchronize materiel response to support the full range of military activities—a plan that would take another 8 years to fully implement—but do not address the need to provide overarching guidance specifically on its prepositioned programs and thus do not
establish a timeline for doing so. As we discuss in our report, the Comprehensive Materiel Response Strategy, issued in May 2012, and its forthcoming plan are focused broadly on integrating and synchronizing materiel response to support the full range of military activities and do not provide guidance for prepositioned programs. While we recognize the importance of broad strategic planning, developing and implementing overarching guidance specifically on prepositioned programs would help set priorities and make it clear that DOD’s prepositioned programs accurately reflect national military strategies or new departmental priorities, such as the strategic shift in attention to the Asia Pacific region. In addition, DOD commented that in the interim, it will continue to focus on ensuring that combatant commander equipment requirements identified in operational and contingency plans are satisfied by the services and aggressively explore improvements to the current prepositioned equipment strategy including pursuing opportunities for increased jointness across service programs. However, we are concerned that DOD did not identify any specific actions that it plans to undertake to improve joint oversight or reduce potential inefficiencies among the services’ prepositioning programs. We have identified the need to establish an overarching strategy for prepositioning programs since 2005, and we continue to emphasize the need for setting a timeline for developing and implementing such guidance, with particular emphasis on joint oversight to reduce unnecessary duplication and overlap among the services and to maximize cost savings while minimizing risks. Furthermore, with DOD’s impending drawdown from Afghanistan and new emphasis on the Asia Pacific region, it is imperative that DOD make establishing strategic guidance on its prepositioned programs a priority to help ensure that it can effectively and most efficiently respond to future threats.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Undersecretary of Defense for Acquisition, Technology, and Logistics; the Chairman of the Joint Chiefs of Staff; the Secretaries of the Army, the Navy, and the Air Force; and the Commandant of the Marine Corps. In addition, this report will be available at no charge on GAO’s website at http://www.gao.gov. If you or your staff members have any questions regarding this report, please contact me at (202) 512-5431 or russellc@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members that made major contributions to this report are listed in enclosure III.

Cary Russell
Acting Director
Defense Capabilities and Management Team

Enclosures - 3
List of 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
Subcommittee on Defense
Committee on Appropriations
United States Senate

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

The Honorable C.W. Bill Young
Chairman
The Honorable Norman D. Dicks
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives
Enclosure I: Scope and Methodology

To evaluate the extent to which DOD’s annual report addressed the 12 reporting requirements set out in 10 U.S.C. §2229a, regarding prepositioned materiel and equipment, we analyzed DOD’s report on the status of prepositioned materiel and equipment for fiscal year 2011. We performed a content analysis by having two analysts independently compare the prepositioned materiel and equipment information in DOD’s fiscal year 2011 report with the 12 reporting requirements in 10 U.S.C. §2229a. Each analyst independently coded each response into one of the categories for reporting requirements and any discrepancies in the coding of the responses were discussed and resolved by the analysts. After analyzing these data, we discussed the results of our analyses with DOD 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. We reviewed DOD’s current (fiscal year 2011) and prior year’s (fiscal year 2010) annual reports to Congress on prepositioned materiel and equipment and met with DOD officials to understand the methodology used to collect and report on the status of prepositioned materiel and equipment. We reviewed DOD policies and service guidance that guide the prepositioned materiel and equipment programs to understand the variations of information reported by the services on the status of prepositioned materiel and equipment. We met with DOD and service officials to discuss the methodology used to collect and report the status of materiel and the reliability of data from their reporting systems. We did not independently assess the data DOD provided to Congress, but we discussed with these officials the reliability of the systems used to develop the data and determined that the data were sufficiently reliable to meet the objectives of this engagement. Further, to determine whether additional information on the status of prepositioned materiel and equipment could be useful to Congress, we reviewed our prior reports and relevant DOD and service guidance. In addition, we discussed information that was omitted from DOD’s current report with DOD and service officials including those at the Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics; Deputy Assistant Secretary of Defense for Supply Chain Integration; U.S. Joint Staff, U.S. Army, Headquarters, Operations and Logistics Readiness Directorate; U.S. Air Force, Headquarters, Logistics, Expeditionary Equipment Division; U.S. Navy, Chief of Naval Operations, Medical Readiness Platforms; and the Marine Corps Prepositioned Programs Office.

To determine the extent to which DOD has made progress in developing overarching strategic guidance and joint oversight of its prepositioning programs, we reviewed prior GAO reports, DOD guidance, the Comprehensive Materiel Response Strategy and a draft of its forthcoming plan, and service guidance. We discussed the extent to which department-wide guidance specific to prepositioned materiel and equipment and joint oversight has been developed with officials from the Office of the Secretary of Defense, the Joint Chiefs of Staff, all four of the military services, and the Defense Logistics Agency. We reviewed prior GAO reports and supporting evidence to understand the history of DOD’s efforts to oversee its prepositioning programs at a joint level. We also examined DOD guidance on the Global Prepositioned Materiel Capabilities Working Group’s responsibilities, including the DOD Instruction 3110.06, War Reserve Materiel (WRM) Policy (2008), and the working group’s charter. Further, we discussed the actual activities the working group had performed with service and joint officials, including those who had participated in this working group, so that we could compare this information with the required responsibilities in DOD’s guidance.
We conducted this performance audit from March 2012 through September 2012 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.
Enclosure II: Comments from the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

AUG 24 2012

Mr. Cary B. Russell
Acting Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Russell:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-12-916R, “PREPOSITIONED MATERIEL AND EQUIPMENT: DoD Would Benefit from Developing Strategic Guidance and Improving Joint Oversight,” dated July 27, 2012 (GAO Code 351721). Detailed comments on the report recommendations are enclosed.

Sincerely,

[Signature]

Nancy L. Spruill
Director
Acquisition Resources and Analysis

Enclosure:
As stated
RECOMMENDATION 1: To more effectively plan and implement its prepositioned material and equipment programs, improve oversight, and reduce potential for duplicative efforts, the Secretary of Defense should direct the Undersecretary of Defense for Acquisition, Technology, and logistics, in coordination with the Chairman of the Joint Chiefs of Staff, to set a timeline for implementing our prior recommendation to develop overarching strategic guidance on DOD’s preposition programs. The strategic guidance should ensure that DOD’s prepositioning programs align with national defense strategies and new departmental priorities. It should also emphasize joint oversight to maximize efficiencies in preposition material and equipment across the department.

DoD RESPONSE: Concur. The Department is in the process of developing its Comprehensive Material Response (CMR) Plan with the intent of combining supply chain activities associated with the most often used, common items required by the war fighter to support the range of military activities. The Department’s intent is to improve accessibility to its prepositioned capability sets expanding its application beyond combat operations to include Security, Engagement, and Relief and Reconstruction activities. The CMR Plan once published will reach full operational capability by 2020. In the interim, the Department of Defense will maintain current strategy for prepositioned equipment which focuses on ensuring that Combatant Commander’s equipment requirements identified in Operational and Contingency plans are satisfied by the Services. The Department of Defense will continue to aggressively explore improvements to the current prepositioned equipment strategy including pursing opportunities for increased jointness across Service programs.
Enclosure III: GAO Contact and Staff Acknowledgments

**GAO Contact:** Cary B. Russell, (202) 512-5431 or russellc@gao.gov

In addition to the contact named above, individuals who made key contributions to this report include: Alissa H. Czyz, Assistant Director; Tracy W. Burney; Grace A. Coleman; Lionel C. Cooper; K. Nicole Willems; and Michael D. Silver.
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