



April 2016

PREPOSITIONED STOCKS

DOD Has Addressed
Required Reporting
Elements but Needs
to Develop a
Department-wide
Policy and Joint
Service Approach

GAO Highlights

Highlights of [GAO-16-418](#), a report to congressional committees

Why GAO Did This Study

DOD prepositions stocks—such as combat vehicles and repair parts—at locations around the world to prepare forces quickly for conflicts when needed. Section 2229a of Title 10 includes a provision for DOD to report annually on its prepositioned stocks, and for GAO to review DOD’s report and provide Congress additional information on any issues identified. This report addresses the extent to which (1) DOD’s fiscal year 2014 report addressed the 12 statutorily required elements; and (2) DOD has made progress in developing a department-wide strategic policy and a coordinated joint military-service approach for managing prepositioned stock programs. GAO analyzed DOD’s report and other readiness reporting data, reviewed DOD guidance, and interviewed cognizant officials.

What GAO Recommends

Congress should consider directing DOD to set a timeline for completing a department-wide strategic policy and joint-service implementation plan for its prepositioned stock programs. GAO included this matter because DOD did not agree with GAO’s recommendation to set a timeline, stating that it plans to periodically communicate its progress to Congress. GAO also recommended that DOD, in its annual report, (1) address limitations in reconstitution funding data; (2) clarify guidance on risk assessments; and (3) indicate where prepositioned stock information omitted from the report can be found. DOD concurred or partially concurred with these recommendations. GAO continues to believe that its findings and recommendations are valid as discussed in this report.

View [GAO-16-418](#). For more information, contact Cary Russell at (202) 512-5431 or russellc@gao.gov.

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DOD Has Addressed Required Reporting Elements but Needs to Develop a Department-wide Policy and Joint Service Approach

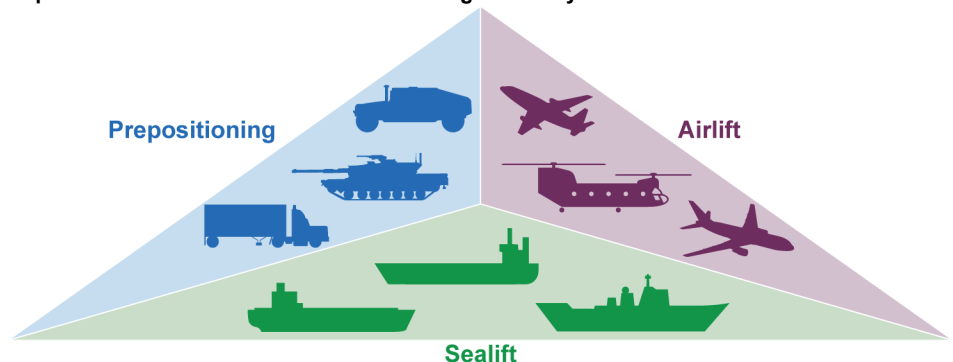
What GAO Found

The Department of Defense (DOD), in its fiscal year 2014 annual report on prepositioned stocks, explicitly addressed all of the 12 reporting elements enumerated in section 2229a of Title 10. However, for the element requiring DOD to report funding for reconstituting any prepositioned stock shortfalls, GAO identified limitations in the quality of information DOD provided on costs for completely reconstituting prepositioned stocks. Further, GAO found that risks which DOD cited in its report were not supported by risk assessments, as required by DOD war reserve materiel policy. GAO also found that, based on the DOD joint service guidance definition of prepositioned stock, certain types of this materiel were excluded from DOD’s report. The inclusion of information that identifies which types of prepositioned stocks were excluded, and where more complete information resides, would assist Congress in determining the sufficiency of DOD’s prepositioned stocks. DOD officials agreed that in future annual prepositioned stock reports they could identify omitted prepositioned stock information and indicate where that information resides.

DOD has made limited progress in developing a department-wide strategic policy and implementation plan to support a coordinated joint-military service approach for managing its prepositioned stock programs. DOD has not yet submitted that policy and implementation plan to Congress, as required by statute, and has not set a timeline for completing them. Without a timeline for completing a strategic policy and joint-military service approach, DOD will not be able to provide decision makers with needed information for taking corrective action. GAO cannot review the strategic policy and implementation plan, as mandated, because these documents have not been finalized, but GAO will continue to monitor DOD’s progress and review them when the documents become available.

The capability of U.S. operational forces to deploy is largely met through sealift, airlift, and pre-positioned stocks—collectively known as the strategic mobility triad—shown in the figure below.

Prepositioned Stocks as Part of DOD’s Strategic Mobility



Source: Department of Defense. | GAO-16-418

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Abbreviations

CENTCOM	U.S. Central Command
DLA	Defense Logistics Agency
DOD	Department of Defense
NDA	National Defense Authorization Act
PACOM	U.S. Pacific Command
POM	Program Objective Memorandum
OPLAN	Operation Plan

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April 15, 2016

Congressional Committees

The Department of Defense (DOD) positions equipment and supplies worth billions of dollars—including items such as combat vehicles, rations, medical supplies, and repair parts—at strategic locations around the world. Prepositioning enables DOD to equip combat-ready forces in days rather than the weeks that might be required if the equipment had to be moved from the United States to the location of a military conflict. Beyond the rapid fielding of combat forces, according to DOD, today’s global security environment demands that prepositioned stocks be made available for other potential needs, such as security cooperation, deterrence, multilateral training exercises, humanitarian assistance, and disaster relief. Prepositioned stocks have played an important role in supporting operations in Iraq and Afghanistan, but these operations took a toll on the condition and readiness of military equipment such that it needed to be reconstituted—that is, restored—to a condition that enables DOD to conduct training exercises, achieve required readiness levels, and prepare for future deployments. In addition, fiscal challenges require DOD to carefully balance its investment in prepositioned stocks in order to achieve both national military objectives and other DOD priorities.

The Secretary of Defense is required by section 2229a of Title 10 of the United States Code to report annually to the congressional defense committees on the status of prepositioned stocks. Section 2229a requires DOD to report on 12 specific elements, including the level of fill and the material condition of major items of prepositioned stocks; a timeline for reconstituting any shortfalls; an estimate of the funds required to reconstitute any shortfalls; a list of any operation plans affected by any shortfalls in prepositioned stocks; and the status of any efforts to develop a joint strategy, integrate service requirements, and eliminate redundancies in prepositioned stocks.¹ (See appendix I for a complete list of the 12 elements.) Additionally, in the National Defense Authorization Act (NDAA) for fiscal year 2014, Congress required DOD to have a strategic policy on the department’s programs for prepositioned stocks

¹ 10 U.S.C. § 2229a.

that takes into account national security threats, strategic mobility, service requirements, and the requirements of the combatant commands; and to address the ways in which the department prioritizes prepositioned stock programs.² (See appendix II for specific elements to be included in the strategic policy and the implementation plan.)

Since 2005, we have reported on a number of ongoing and long-term challenges in DOD's annual reports to Congress related to strategic planning, joint service coordination, requirements determination, and inventory management, among other issues.³ In addition, in May 2011 we recommended that DOD develop a department-wide strategy on prepositioned stocks and strengthen joint oversight of its prepositioned stock programs to integrate and synchronize at a DOD-wide level the services' prepositioned stock programs, in order to maximize efficiency in managing prepositioning across the department and to reduce potentially unnecessary duplication.⁴ For example, in September 2013 we recommended that DOD develop guidance that clearly articulates the type and format of information the services should provide for inclusion in DOD's annual prepositioned stock report to ensure consistency across DOD's prepositioned stock programs.⁵ DOD has generally agreed with our past recommendations related to its annual prepositioned stock report and has taken some steps to address them, such as developing and formatting consistent tables within its 2014 report for all of the services to

² Pub. L. No. 113-66, § 321(b) (2013).

³ GAO, *Prepositioned Stocks: Additional Information and a Consistent Definition Would Make DOD's Annual Report More Useful*, [GAO-15-570](#) (Washington, D.C.: June 16, 2015); *Prepositioned Stocks: Inconsistencies in DOD's Annual Report Underscore the Need for Overarching Strategic Guidance and Joint Oversight*, [GAO-13-790](#) (Washington, D.C.: Sept. 26, 2013); *Prepositioned Stocks: DOD Would Benefit from Developing Strategic Guidance and Improving Joint Oversight*, [GAO-12-916R](#) (Washington, D.C.: Sept. 20, 2012); *Follow-up on 2011 Report: Status of Actions Taken to Reduce Duplication, Overlap, and Fragmentation, Save Tax Dollars, and Enhance Revenue*, [GAO-12-453SP](#) (Washington, D.C.: Feb. 28, 2012); *Warfighter Support: Improved Joint Oversight and Reporting on DOD's Prepositioning Programs May Increase Efficiencies*, [GAO-11-647](#) (Washington, D.C.: May 16, 2011); *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011); and *Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Program*, [GAO-05-427](#) (Washington, D.C.: Sept. 6, 2005).

⁴ [GAO-11-647](#).

⁵ [GAO-13-790](#).

use in reporting their prepositioned stocks. In June 2014 we reported that DOD had not yet submitted a strategic policy or an implementation plan for its prepositioned stock programs.⁶

In February 2015 DOD submitted its fiscal year 2014 report to the defense committees on the status of its prepositioned stocks from October 2013 through September 2014.⁷ Section 2229a of Title 10 of the United States Code includes a provision for 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 materiel in the prepositioned stocks. For this report, we assessed the extent to which (1) DOD's fiscal year 2014 report addressed the 12 statutorily required elements; and (2) DOD has made progress in developing a department-wide strategic policy and a coordinated joint military-service approach for managing prepositioned stock programs.

To evaluate the extent to which DOD's annual report addresses the 12 specific reporting elements set out in section 2229a of Title 10 of the United States Code regarding prepositioned stocks, we analyzed DOD's report on the status of prepositioned stocks for fiscal year 2014. We performed a content analysis in which we compared the prepositioned stock information in DOD's fiscal year 2014 report with the 12 reporting requirements and assessed the extent to which DOD had addressed each required element. One GAO analyst coded the information and a different analyst verified the coding. Any initial disagreements in the coding were discussed and reconciled by the analysts. The analysts then tallied their responses to determine the extent to which the reporting elements were addressed. We assessed an element as addressed if DOD's report explicitly addressed all parts of the element. We assessed an element as partially addressed if one or more—but not all—parts of the required element were explicitly addressed. We assessed an element as not addressed if the report did not explicitly address any part of the required element. In addition, we selected for further review the services'

⁶ GAO, *Prepositioned Stocks: DOD's Strategic Policy and Implementation Plan*, [GAO-14-659R](#) (Washington, D.C.: June 24, 2014).

⁷ Department of Defense, *Report on Status of Department of Defense Programs for Prepositioning of Stocks: A Report to Congress as Required by §352 of Public Law 110-181* (Feb. 2015).

estimates of any shortages in the amounts of funds required to completely reconstitute any shortfalls in prepositioned stocks because of the significance of this issue to effective management of DOD's prepositioned stock program. We identified reported funding shortages in the fiscal year 2014 report for the services and compared information in the report and in available supporting documentation against federal standards for internal control indicating that quality information should be provided that is appropriate, current, complete, accurate, accessible, and provided on a timely basis.⁸ We also performed follow-up analyses of the services' statements that they were assuming risks for funding shortfalls to determine the extent to which these reported actions were based upon formal risk assessments of DOD's prepositioned stocks. DOD's war reserve materiel policy guidance⁹ calls for the services to perform risk assessments, identifies what is to be included in these assessments, and specifies what is to be done in response to the risks identified. In addition, we followed up on a recommendation in our report on DOD's fiscal year 2013 prepositioned stock report¹⁰ that DOD develop a standardized definition of prepositioned stocks that is consistent with that used in DOD's joint service guidance, and that DOD apply this definition consistently to identify prepositioned stocks across the department to determine what actions, if any, DOD had taken in the fiscal year 2014 report.

To determine the extent to which DOD has made progress in developing a department-wide strategic policy and a coordinated joint military-service approach for managing prepositioned stock programs, we reviewed prior GAO reports and DOD and service guidance. Other documents we examined include correspondence to the defense committees on milestones and actions regarding DOD's ongoing efforts to develop a strategic policy and an implementation plan with a coordinated approach for the prepositioned stock programs. We also discussed with DOD

⁸ GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999). These standards were updated in 2014 as GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

⁹ Department of Defense Instruction 3110.06, *War Reserve Materiel (WRM) Policy* (June 23, 2008).

¹⁰ [GAO-15-570](#)

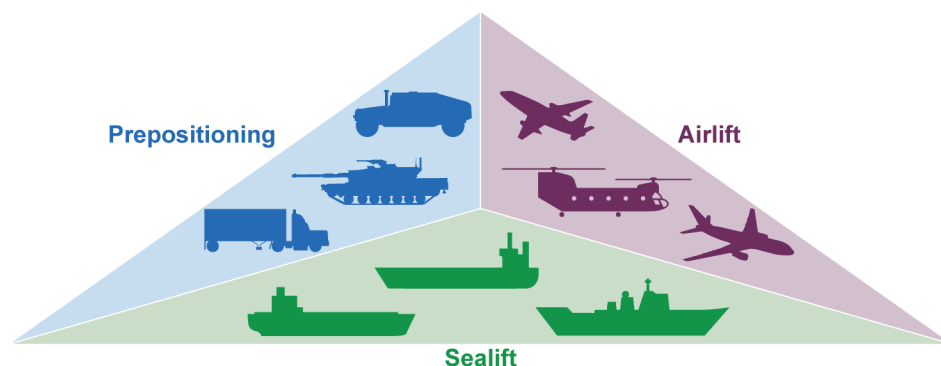
officials the extent to which the department has developed department-wide guidance specific to prepositioned stocks and joint oversight.

We conducted this performance audit from June 2015 to April 2016 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. (See appendix IV for a more detailed presentation of our scope and methodology.)

Background

The capability of U.S. operational forces to deploy is largely met through sealift, airlift, and prepositioned stocks, as shown in figure 1.

Figure 1: Prepositioned Stocks as Part of DOD's Strategic Mobility



Source: Department of Defense. | GAO-16-418

The military services preposition stocks ashore and afloat to enable DOD to respond to multiple scenarios by providing assets to support U.S. forces during the initial phases of an operation until follow-on capabilities are available through strategic lift and the supply chain has been established. Each military service maintains its own configurations and types of equipment and stocks to support its own prepositioned stock program. The Army stores prepositioned stocks that consist of sets of combat brigade equipment, supporting supplies, and other stocks located both ashore and afloat. The Navy's prepositioned stock program provides construction support, equipment for off-loading and transferring cargo from ships to shore, and expeditionary medical facilities to support the Marine Corps. The Marine Corps forward-deploys and prepositions sets

of stocks to support a Marine Expeditionary Brigade. These capability sets are stored aboard ships in two Maritime Prepositioning Squadrons, and also ashore in Norway. In the Air Force, the prepositioned stock program includes assets such as direct mission support equipment for fighter and strategic aircraft as well as base operating support equipment to provide force, infrastructure, and flight-line support during wartime and contingency operations.

According to DOD officials, prepositioned stocks are intended to support national military objectives, which are described in strategic and operational documents. The Office of the Secretary of Defense and the Joint Staff use the National Defense Strategy and the National Military Strategy¹¹ to develop high-level military strategic guidance that instructs the geographic combatant commanders¹² on what operation plans they must develop to meet operational objectives addressing various scenarios.¹³ Joint operation planning is a coordinated process used by commanders, including the geographic combatant commanders, to determine the best method of accomplishing a mission. Combatant commands develop plans with varying levels of detail. The most detailed plans are called operation plans and contain, among other things, time-phased force and deployment data, which include the specific units to be deployed in support of the plan and the timeline for when those forces are needed.¹⁴ The services then determine how best to meet the needs of the combatant commanders, which may include the use of prepositioned stocks to support the commanders' goals and ensure timely support of

¹¹ The National Defense Strategy, signed by the Secretary of Defense, is strategic guidance for DOD that articulates the department's priorities and reflects the President's strategic direction for DOD. The National Military Strategy, signed by the Chairman of the Joint Chiefs of Staff, provides strategic direction for the armed forces.

¹² A combatant commander is a commander of one of the unified or specified combatant commands established by the President under 10 U.S.C. § 161. The six geographic combatant commands are U.S. Africa Command (AFRICOM), U.S. Central Command (CENTCOM), U.S. European Command (EUCOM), U.S. Northern Command (NORTHCOM), U.S. Pacific Command (PACOM), and U.S. Southern Command (SOUTHCOM).

¹³ The Office of the Secretary of Defense planning guidance for the combatant commands is provided in the form of the *Guidance for Employment of the Force*, and the Chairman of the Joint Chiefs of Staff planning guidance is the *Joint Strategic Capabilities Plan*.

¹⁴ Operation plans, or OPLANs, are defined as complete and detailed joint plans that contain a full description of the concept of operations, all annexes applicable to the plan, and time-phased force and deployment data.

deployed forces during the initial phases of an operation until follow-on capabilities have been established. Combatant commanders periodically review their plans, assess the risk to those plans, and report the results to the Chairman of the Joint Chiefs of Staff.

According to DOD, by providing needed prepositioned stocks, the military services can reduce the risks associated with an operation plan. Prepositioned stocks are employed by the geographic combatant commanders, who have the authority to, among other things, organize and employ forces assigned to them as they deem necessary to accomplish assigned missions. DOD apportions the services' prepositioned stocks among the geographic combatant commands according to joint guidance, and the afloat prepositioned stocks may be apportioned to more than one geographic combatant command. Requirements for prepositioned stocks are developed based on an approved operation plan. The approval of the Secretary of Defense is generally required to use the prepositioned capabilities.

In June 2008 DOD issued an instruction directing the Under Secretary of Defense for Policy to develop and coordinate guidance that identifies an overall war reserve materiel strategy that includes starter stocks, which are defined as war reserve materiel that is prepositioned in or near a theater of operations and is designed to last until resupply at wartime rates is established.¹⁵ The Under Secretary of Defense for Policy is responsible for establishing and coordinating force development guidance that identifies an overall strategy to achieve desired capabilities and responsiveness in support of the National Defense Strategy. The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Chairman of the Joint Chiefs of Staff are responsible for establishing a Global Prepositioned Materiel Capabilities Working Group with specific responsibilities to address capability gaps and readiness issues regarding prepositioned stock programs. The Chairman of the Joint Chiefs of Staff has issued the annual report on prepositioned stocks on behalf of the Secretary of Defense since the report's inception in May 2009.

¹⁵ Department of Defense Instruction 3110.06, *War Reserve Stocks (WRM) Policy* (June 23, 2008).

DOD’s Report Addressed the Required Elements, but Data Quality Issues and Exclusions Limit Its Usefulness

DOD addressed all of the 12 reporting elements enumerated in section 2229a in its fiscal year 2014 annual report on prepositioned stocks. Specifically, the information DOD provided explicitly responded to all parts of each of the 12 elements. However, for one element—funding required to fully reconstitute any shortfalls in prepositioned stocks—we identified limitations in the quality of information provided on costs for completely reconstituting prepositioned stocks. Furthermore, we found that risk assessments were not conducted to support the report’s identification of risks. We also found that, based on the definition of prepositioned stocks from DOD’s joint service guidance, certain types of prepositioned stocks were excluded from DOD’s report. These issues can affect the usefulness of the report in enabling Congress to make informed decisions about DOD’s prepositioned stock programs.

DOD’s Annual Report Addressed the Required Elements

In its fiscal year 2014 annual report on prepositioned stocks, DOD provided information that explicitly addressed all 12 reporting elements enumerated in section 2229a of Title 10. Table 1 presents our assessment of DOD’s report.

Table 1: GAO’s Assessment of the DOD Fiscal Year 2014 Report’s Responses to the Twelve Reporting Elements Required by 10 U.S.C. § 2229a

Reporting Elements	Our Assessment of DOD’s Report ^a	Our Comments
1. The level of fill for major end items of equipment and spare parts in each prepositioned set as of the end of the fiscal year covered by the report.	Addressed	DOD’s report contains information on each service pertaining to the amount of assets on hand in relationship to its requirements. However, the Air Force and Navy have large quantities spare parts positioned forward—outside the United States—that they are not required to report on separately from end items for equipment identified as prepositioned stocks.
2. The material condition of equipment in the prepositioned stocks as of the end of such fiscal year, grouped by category or major end item.	Addressed	DOD’s report contains information on each service pertaining to the serviceability of those assets identified for element #1, grouped by category or major end item.
3. A list of major end items of equipment drawn from the 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.	Addressed	DOD’s report contains information from each service pertaining to its prepositioned equipment, including a description of how the equipment was used and whether it was returned to the stocks after use.
4. A timeline for completely reconstituting any shortfall in the prepositioned stocks.	Addressed	DOD’s report provides information on each service’s anticipated timelines for reconstituting its prepositioned stocks.

Reporting Elements	Our Assessment of DOD's Report ^a	Our Comments
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.	Addressed	DOD's report provides an estimate of each service's funding requirements in operations and maintenance, procurement, and working capital funding categories. The Army provides a budget plan to address its shortfalls; the Marine Corps and Navy report that they do not have shortfalls; and the Air Force reports that it is working with the Office of the Secretary of Defense to secure supplemental funding to address a shortfall for equipment and sustainment of approximately \$350 million over the fiscal years 2016-2020 programs.
6. A list of any operations plan ^b 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.	Addressed	DOD's report provides information on U.S. Central Command's (CENTCOM) and U.S. Pacific Command's (PACOM) operation plans (OPLAN) with requirements for prepositioned stocks and identified shortfalls and mitigation plans.
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.	Addressed	DOD's report states that the Marine Corps, Navy, and Air Force have not identified any non-standard equipment for inclusion in their prepositioned stocks. The Army provides a list of seven types of non-standard items slated for inclusion in prepositioned stocks; describes how it is comparing requirements with equipment retrograded from South West Asia to identify sourcing solutions; and describes how the final types and quantities are dependent on equipment availability, condition, required levels of repair, priority of requirements, and transportation cost to move required equipment to needed locations. The Army's funding plan is to redistribute excess equipment and to source the remaining shortages from new production allocations.
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.	Addressed	DOD's report describes retrograde plans for the Army and Air Force. The Marine Corps and the Navy note that they have no equipment to retrograde and so have no retrograde plans. The Army provides a narrative summary with examples of equipment that will be retrograded. The Marine Corps stated that equipment returning from Operation Enduring Freedom will be reset at Marine Corps Logistics Base, Albany, Georgia, and redistributed based on the Marine Corps' priorities. The Air Force stated that retrograde is ongoing and will continue through fiscal year 2015, and that during fiscal year 2014, approximately 52 percent of equipment was reconstituted.
9. An efficiency strategy for limited shelf-life medical stock replacement.	Addressed	DOD's report identifies its prepositioning strategy for limited shelf-life medical stocks, including initiatives to minimize costs that involve the services and the Defense Logistics Agency (DLA).
10. The status of efforts to develop a joint strategy, integrate service requirements, and eliminate redundancies.	Addressed	DOD's report provides information on the status of DOD's efforts to develop a joint strategy, integrate service requirements, and eliminate redundancies.

Reporting Elements	Our Assessment of DOD's Report ^a	Our Comments
11. The operational planning assumptions used in the formulation of prepositioned stock levels and composition.	Addressed	DOD's report provides information on U.S. Central Command's (CENTCOM) and U.S. Pacific Command's (PACOM) operation 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.	Addressed	DOD's report provides a list of U.S. Central Command's (CENTCOM) and U.S. Pacific Command's (PACOM) strategic plans that have prepositioned stock requirements, and provides a description of actions to mitigate risks.

Source: GAO analysis of DOD data.

^aWe assessed an element as being addressed if DOD's report explicitly addressed all parts of the element. We assessed an element as partially addressed if at least one—but not all—parts of the required element were explicitly addressed.

^bSection 2229a of Title 10 refers to DOD's operations plans; however, DOD refers to them as operation plans so we use DOD's term in this report.

Outdated, Inconsistent, and Unsupported Reconstitution Funding Data Limit the Usefulness of DOD's Fiscal Year 2014 Report on Prepositioned Stocks

DOD's fiscal year 2014 report on prepositioned stocks provided information in response to the requirement on reporting element number 5, concerning funding required to fully reconstitute any shortfalls in prepositioned stocks, but we identified data quality limitations in that information. We found, for example, that the reported funding data are outdated by the time each annual report is issued, and that the services do not disclose reasons for major changes made to the funding information in the annual prepositioning report from year to year, thereby resulting in inconsistencies in the data reported. Also, Air Force officials could not provide us documentation to support Air Force data included in DOD's report. According to Standards for Internal Controls in the Federal Government,¹⁶ quality information should be appropriate, current, complete, accurate, accessible, and provided on a timely basis.

Reported Reconstitution Funding Data Are Outdated by the Time DOD's Report Is Issued

DOD's reported reconstitution funding data are outdated at the time each report is issued, because each year's report is a snapshot reflecting the end of the fiscal year, September 30th, and not reflecting known changes in the services' budgets that occur after this date. The issuance of DOD's report has ranged from February to May of the following year and, more often than not, has occurred after the President's budget has been

¹⁶ GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999). These standards were updated in 2014 as GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

delivered for the upcoming legislative cycle. Thus, for example, the services' figures in the fiscal year 2014 prepositioned stock report cannot be compared to the most current budget for the Program Objective Memorandum (POM)¹⁷—which incorporates numbers derived after the September 30, 2014, date and before the President's budget submission in February 2015—because the data for the annual prepositioned stock report reflect a snapshot as of September 30, 2014.

In the fiscal year 2014 report, the Army stated that its data depict the current funding profile for reconstitution and sustainment of Army prepositioned stock capabilities through fiscal year 2020, and these data identified a \$928 million shortfall in fiscal year 2014. However, on follow-up, the Army specified that these data were current as of September 30, 2014, and did not reflect changes made to the Army's strategy after that date to support increases in the current threat environment discussed in the report narrative. For example, in its narrative discussion the report identified changes and growth in activity sets that took place after the end of fiscal year 2014, including the European Activity Set that equips Army rotational forces as they participate in the annual European Reassurance Initiative.¹⁸ According to Army program officials, the data reported did not include the costs of expanding the European Activity Set that the Army had identified after the end of fiscal year 2014 and before the report was submitted in February 2015. Thus, the Army's 2014 budget shortfall may be larger or smaller than is reflected in the reconstitution table in the report.

When we raised our concern that readers of the report may be misled by outdated reconstitution funding data that do not align with the narratives, DOD officials expressed their awareness that the funding estimates

¹⁷ A Program Objective Memorandum (POM) is a recommendation from the Services and Defense Agencies to the Office of the Secretary of Defense concerning how they plan to allocate resources for a program(s) to meet the service program guidance and defense planning guidance. The POM covers the 5-year Future Year Defense Program and presents the services' and defense agencies' proposal on how they will balance their allocation of available resources. The POM includes an analysis of missions, objectives, alternative methods to accomplish objectives, and allocation of resources.

¹⁸ The European Reassurance Initiative is a U.S. action created to reassure allies of its commitment to their security and territorial integrity as members of the NATO Alliance. It consists of U.S. air, land, and sea presence in the region, especially in Central and Eastern Europe. The initiative was included in the Department of Defense's Fiscal Year 2015 Overseas Contingency Operations request to Congress.

reported in the annual report reflect data at the end of the fiscal year, or September 30th, for each year, and that these data can be obsolete by the time the report is issued, which has been between February and May of the next fiscal year. They acknowledged the limitation inherent in this gap between dates for data, and stated that it cannot be easily avoided due to the timing needed for submission of their annual prepositioned stock report. We note, however, that it could be helpful to readers if the report clearly disclosed the date up to which the data are current.

DOD Did Not Provide Explanations for Inconsistencies in Year-to-Year Army Reconstitution Funding Data

The services are not required to disclose significant changes made to the funding information used in the annual report from year to year, resulting in inconsistent data without explanation for the inconsistencies. Further, the assumptions used by the services can change over the years, which can affect how the data are developed and what they represent.

For example, the Army's unfunded shortfall was \$0 for fiscal year 2014 in the fiscal year 2013 report, but it jumped to \$928 million for fiscal year 2014 in the fiscal year 2014 report, with no explanation presented for the increase. Upon follow-up, Army program officials stated that the increase was generally attributable to changes in the Army's assumptions, strategies, and initiatives that were to be considered in developing reconstitution funding information. As one contributing factor, in fiscal year 2013 the Army had assumed it would only maintain its current level of equipment and would not receive additional funding—a constrained requirement; while in fiscal year 2014 the Army assumed that it would get all the funding it needed—an unconstrained requirement.

DOD officials we spoke with agreed that significant changes in reconstitution funding data in the annual prepositioned stock report from one year to the next should include explanations of the reasons for the differences.

Air Force Reconstitution Funding Shortfall Data Are Not Supported

Air Force funding data in DOD's annual report included data that were not supported by documentation. For example, the Air Force was unable to provide support for reconstitution funding data in the report. In the fiscal year 2014 report, the Air Force stated that, based on revalidation and redistribution, it was projecting a shortfall for equipment and sustainment

approaching \$350 million over the Future Years Defense Program¹⁹ fiscal years 2016-2020. In the fiscal year 2013 report the Air Force had projected shortfalls approaching \$600 million over the fiscal years 2015-2019 program. Although we requested it, joint staff and officials at Air Force headquarters, Air Combat Command, and Air Force Systems Command were unable to provide documentation supporting these shortfalls, or accounting for the change in the shortfall reported for fiscal years 2013-2014. These officials stated that they were unable to provide this documentation because in May 2015 the Air Force transferred the reporting responsibility for prepositioned stocks from the Air Combat Command to the 635th Supply Chain Operations Wing, which they called the new global manager, in order to more centrally manage its prepositioned stock program. Those Air Combat Command managing officials who were still available to us could not provide support for these shortfall amounts, and the new managers stated that they were not given any documentation or explanation for the 2014 numbers.

These officials stated that the Air Force prepositioned stock data will change further in the fiscal year 2015 report and beyond, because the new global manager of prepositioned stocks is conducting a complete requirements analysis of all its data, and that analysis may take 2 years to perform. The analysis includes identifying what prepositioned stocks it has, and where they are located—issues they have already identified as problem areas. These officials also indicated that the shortfalls in prepositioned stocks to be reported in the fiscal year 2015 report might be significantly smaller than the \$350 million reported in the fiscal year 2014 report.

DOD characterized the lack of supporting documentation in the Air Force data as a one-time occurrence resulting from the transfer in the responsibility for reporting Air Force funding data. DOD expects that this change will result in a more supportable Air Force methodology that will improve the overall quality of data reported in the fiscal year 2015 report, and that methodology should continue to improve as the new Air Force

¹⁹ The Future Years Defense Program is the program and financial plan for the Department of Defense as approved by the Secretary of Defense. It arrays cost data, manpower, and force structure over a 5-year period (and force structure individually for an additional 3 years), portraying these data by Major Force Programs for DOD internal review for the program and budget review submission. It is also provided to Congress in conjunction with the President's Budget submission.

global manager completes its requirements analysis. Therefore, we are not making a recommendation on this issue.

**The Army and Air Force
Prepositioned Stock
Programs Reported
Assumed Risks but Did
Not Perform Risk
Assessments**

In the fiscal year 2014 report, the risks that the Army and Air Force identified as being attributable to funding shortfalls were not based upon a formal risk assessment of DOD's prepositioned stocks.

DOD's war reserve materiel policy guidance calls for the services to perform risk assessments on prepositioned stocks. DOD Instruction 3110.06, War Reserve Materiel Policy, requires the military services to complete a risk assessment to identify negative impacts on readiness and to provide this assessment to the Global Prepositioned Materiel Capabilities Working Group on all non-programmed and unfunded war reserve materiel requirements (including prepositioned stocks), or when resources are reallocated to other priorities. Both DOD Instruction 3110.06 and the Global Prepositioned Materiel Capabilities Working Group charter require the working group to perform oversight by means of a review of the risk assessments provided by the services and defense agencies, and to initiate program reviews as necessary.

However, the services have not performed risk assessments, and therefore the Global Prepositioned Materiel Capabilities Working Group has not reviewed such assessments. DOD's guidance regarding the management of prepositioned stocks does not contain any mechanism or specific timeframes for ensuring that risk assessments are conducted.

Although the Army and the Air Force reported that they are assuming risk in their prepositioned stock programs, they acknowledged that they are not performing risk assessments. The Army identified shortfalls of \$544 million in DOD's fiscal year 2014 report, and officials stated that if the funding shortfalls persist in the near term (fiscal years 2015-2016), there will be risk to the readiness and availability of selected non-combat prepositioned equipment and operational projects, as maintenance and reconstitution activities will be deferred or delayed into the out-years. Army program officials explained that this statement was not based on any formal risk analysis by prepositioned stock program managers, but rather that the statement reflected an indication of trade-offs that are made because of limited resources. For example, under a constrained budget, the Army might increase maintenance cycles and risk the possibility of higher repair costs in the long run.

Air Force officials stated that they do not have a formal process for conducting risk assessments on prepositioned stocks. They indicated that they identify risks based on an informal process, as they lack a formal approach for assessing risk for their prepositioned stocks. For example, Air Force officials stated that the service opted to assume risk for prepositioned stock shortfalls of \$600 million in fiscal year 2013, which they lowered to \$350 million in fiscal year 2014. The new managers responsible for more centrally managing the Air Force prepositioned stock program told us that they are working on a formal process for conducting risk assessments on prepositioned stocks, but that it will take approximately 2 years to account for all the assets within the supply systems, identify any shortfalls, and complete the risk assessments.

The Marine Corps and Navy did not identify program risks that were attributable to funding shortfalls in the fiscal year 2014 report.

We found that while departmental guidance specifies what is to be included in risk assessments and what is to be done in response to risks identified, it does not specify when and how risk assessments on prepositioned stocks should be performed. Therefore, information in the report indicating that the Army and the Air Force are assuming risk may provide decision makers, who have an understanding of what is involved in risk assessments, with a false sense of assurance that the services have clearly identified their risk assumptions and have fully considered the trade-offs. DOD officials agreed that departmental guidance could be enhanced to clarify when and how risk assessments should be performed. They stated that this guidance could be added in the planned update to its War Reserve Materiel Policy document, which will follow the development of a DOD directive for managing DOD's prepositioned stock program, to be completed in 2017. However, as we discuss later in this report, DOD has moved its timeframe for developing the guidance several times.

Some Prepositioned Stocks Are Not Included in the Report

DOD's annual report continues to exclude some prepositioned stocks that are included in the definition of prepositioned stocks presented in joint service guidance.²⁰ Federal internal control standards state that decision

²⁰ Department of Defense Joint Publication 1-02, *Department of Defense Dictionary of Military and Associated Terms* (Nov. 8, 2010) (as amended through Nov. 15, 2014).

makers need complete and relevant information to manage risks and achieve their efficiency and effectiveness goals.²¹ In addition, our prior work on results-oriented management has identified the approaches that agencies can take to provide complete information, and has highlighted the need for decision makers, such as Congress, to be fully informed in order to weigh competing priorities effectively.²²

In our report on DOD's fiscal year 2013 prepositioned stock report,²³ we recommended that DOD develop a standardized definition of prepositioned stocks that is consistent with that used in DOD's joint service guidance, and that DOD apply this definition consistently to identify prepositioned stocks across the department, including the services, combatant commands, and defense agencies. DOD officials concurred with this recommendation and stated that the department would include a standardized definition of prepositioned stocks as a revision to its war reserve materiel policy guidance. However, DOD has not yet completed its revision to DOD Instruction 3110.06, War Reserve Materiel Policy, to include a standardized definition of prepositioned stocks. DOD officials stated that this will be part of the department's broader effort to develop strategic guidance.

DOD's fiscal year 2014 prepositioned stock report continued to focus on the same prepositioned capabilities as were the focus of DOD's fiscal year 2013 prepositioned stock report—that is, unit level stocks positioned at or near the point of planned use to reduce reaction time during the initial phases of an operation. Thus, compared with the definition of prepositioned stocks from DOD's joint service guidance, DOD's annual report does not include several categories of prepositioned stocks that involve such items as joint service managed munitions, bulk fuel, and

²¹ GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999). These standards were updated in 2014 as GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

²² Based on our previous reporting, we have found that metrics should be reportable in a consistent fashion, and that a key part of consistent reporting is ensuring that standardized definitions, methodologies, and procedures are used. In addition, we have reported that inconsistent definitions limit the comparability of programs across agencies. See GAO, *Defense Inventory: Actions Underway to Implement Improvement Plan, but Steps Needed to Enhance Efforts*, [GAO-12-493](#) (Washington, D.C.: May 3, 2012).

²³ [GAO-15-570](#)

rations. In response to a recommendation in our June 2015 report,²⁴ DOD's fiscal year 2014 report included information on Air Force prepositioned munitions, but DOD officials stated that this information does not belong in its annual report because the munitions the Air Force reported constitute a globally managed rather than unit-level capability. DOD does not plan to include the munitions data in its fiscal year 2015 and future annual reports. According to DOD officials, the department has opted to continue to report only unit-level capability sets in its annual prepositioning report because other prepositioned stocks are managed at a joint service level and are already reported to Congress through other DOD reporting mechanisms.

Without DOD's identifying in its annual prepositioned stock report information on types of prepositioned stocks that are excluded from the report, and where more complete information resides, Congress may lack complete and relevant information for determining the sufficiency of DOD's prepositioned stocks. DOD officials agreed that they could include a section in future annual reports that would identify omitted prepositioned stock information and indicate where that information can be found.

DOD Has Made Limited Progress in Developing a Department-wide Strategic Policy and Coordinated Joint-Military Service Approach for Managing Prepositioned Stock Programs

DOD has made limited progress in developing a department-wide strategic policy and a coordinated joint-military service approach that includes oversight for managing its prepositioned stock programs. Section 321 of the National Defense Authorization Act for fiscal year 2014 requires DOD to maintain a strategic policy and, not later than 120 days after enactment of the law—that is, by April 24, 2014—to develop a plan for implementing the policy that establishes a coordinated joint-military service approach for DOD's prepositioned stock programs in order to maximize efficiencies across the department. Moreover, setting a timeline for implementation can enable an agency to monitor progress and help build momentum.

Although it has taken steps to develop a strategic policy, DOD did not submit a strategic policy for its prepositioned stock programs by the April 2014 deadline, as required by the Act, and had not done so as of April 2016. By means of correspondence DOD has sought to keep the

²⁴ [GAO-15-570](#).

congressional defense committees informed of its plans and intentions regarding the required strategy and implementation plan.

For example, in an April 23, 2014, letter to the defense committees, DOD stated that it would establish an enterprise-focused working group to develop strategic guidance, including joint oversight for DOD's prepositioned stock programs. Later that year, in a letter written in August 2014, DOD officials told the defense committees that the department would review existing departmental and service strategic policies and plans and then develop a consolidated departmental strategy and implementation plan to provide joint program oversight; and that it would inform the congressional defense committees of its progress on the strategic policy by the end of March 2015. However, DOD did not fulfill its stated intentions within that timeframe.

In a November 2015 letter to the defense committees, DOD stated that it would develop department-wide guidance in the form of a DOD directive for managing DOD's prepositioned stock programs before developing an implementation plan, which it would submit within 120 days after the DOD directive had been approved. DOD did not identify a timeline for completing a department-wide strategic policy and implementation plan. DOD officials told us that it first had to complete a directive assigning roles and responsibilities, and that final approval could take up to a year. In a March 2016 letter to the defense committees, DOD stated the development of the new directive was on track and that they would provide a progress update by the end of September 2016. However, DOD did not submit a timeline by which to complete the strategic policy and plan. Federal internal control standards state that management should establish and operate monitoring activities in part to assess the quality of performance over time and identify corrective actions in order to achieve objectives.²⁵

With regard to a coordinated joint-service approach to its prepositioned stock programs that includes oversight, DOD took some actions to clarify lines of authority and reporting between the joint Global Prepositioned Materials Capabilities Working Group and other DOD components, as

²⁵ GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999). These standards were updated in 2014 as GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

GAO recommended in May 2011. However, its efforts to strengthen joint oversight of service prepositioned stock programs as required by the NDAA for fiscal year 2014²⁶ have been limited, partly because until June 2014 the working group had not been functioning as intended. For example, according to DOD's war reserve materiel policy, the prepositioning working group is expected to address joint issues concerning war reserve materiel requirements, including requirements determination and positioning, and to make recommendations that balance limited resources against operational risk.²⁷ However, according to DOD officials involved with this group since its inception, the group had not carried out these specified responsibilities, and the continuation of its existence had been questioned within DOD. In practice, according to DOD officials, the main function of the working group had been to consolidate the services' individual submissions on their prepositioned stock programs into DOD's annual report for Congress.

DOD officials currently managing DOD's prepositioned stocks program stated that since DOD reconvened the working group in June 2014 the group has met more frequently to review existing policies for DOD's prepositioned stocks programs and, further, has concluded that additional policies are needed for addressing the required elements of section 321 of the fiscal year 2014 Authorization Act. According to officials from the Office of the Secretary of Defense, DOD has existing guidance for the management of its prepositioned stock programs, but the guidance does not address all the elements required by section 321. Officials stated that the forthcoming DOD directive will identify and assign key roles and responsibilities for the management of DOD's prepositioned stock programs, and that DOD will submit the implementation plan within 120 days after the DOD directive has been approved. DOD has not yet provided a specific timeframe for establishing a coordinated joint-service approach and oversight.

Under section 321 of the National Defense Authorization Act for fiscal year 2014 GAO was to review this strategy and implementation plan and to report within 180 days—that is, by June 24, 2014.²⁸ Because the

²⁶ Pub. L. No. 113-66, § 321.

²⁷ Department of Defense Instruction 3110.06, *War Reserve Materiel (WRM) Policy* (June 23, 2008).

²⁸ Pub. L. No. 113-66, § 321, as amended by Pub. L. No. 113-291, § 324.

strategic policy and implementation plan have not been finalized, we cannot review these documents. However, we will continue to monitor DOD's progress and will review the prepositioned stock strategic policy and implementation plan when they become available.

Without a timeline for developing a department-wide strategic policy and a coordinated joint-military service approach, DOD will not be able to provide decision makers with needed information for taking corrective actions. Further, in the absence of a department-wide strategic policy and implementation plan for a joint-military service approach, DOD may not be able to optimize the management of its prepositioned stocks across the department and identify any potentially unnecessary duplication of equipment and stocks.

Conclusions

DOD's prepositioned stock report for fiscal year 2014 addressed all of the 12 required reporting elements. However, the overall usefulness of the report could be improved if the report clearly disclosed that the reconstitution funding data are current as of the end of the fiscal year, and if significant changes in reported reconstitution funding data from year to year were accompanied by explanations as to the major reasons why the data changed. Also, enhanced guidance clarifying when and how risk assessments should be performed as DOD updates its War Reserve Materiel Policy document could provide decision makers with a sense of assurance that the services have clearly identified their risk assumptions and fully considered the trade-offs. Further, the inclusion of information in DOD's annual prepositioned stock report that identifies which types of prepositioned stocks are excluded from the report, and identifies where more complete information resides, would provide decision-makers with more complete and relevant information for determining the sufficiency of DOD's prepositioned stocks. Lastly, until it has completed its development of a department-wide strategic policy and joint-military service approach for managing its prepositioned stock programs, DOD will not be able to provide decision makers with needed information for taking corrective actions, and may not be able to optimize the management of its prepositioned stocks across the department or identify any potentially unnecessary duplication of equipment and stocks.

Matter for Congressional Consideration

Congress should consider directing the Secretary of Defense to set and submit to the congressional defense committees, within a specified time frame, a timeline by which DOD will complete the department-wide strategic policy and joint-service implementation plan, and that it include in the timeline the major steps DOD plans to take, with target dates for accomplishing each of them that can be used to monitor progress and report results. The development and submission to Congress of such a timeline should help ensure that DOD can fully address the provisions of section 321 of the NDAA for fiscal year 2014.

Recommendations for Executive Action

As part of their ongoing efforts to strengthen oversight and improve the overall quality of information included in DOD's annual prepositioning reports in order to provide congressional decision makers with complete and relevant information, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff, to take the following three actions:

1. Disclose in the report the fact that reconstitution funding data are current as of the end of the fiscal year, identify significant changes reported in these data from year to year, and provide explanations as to the reasons for the changes.
2. In its planned update to its War Reserve Materiel Policy document, add language to clarify when and how risk assessments should be performed.
3. Include in the annual prepositioned stock report a section that identifies omitted prepositioned stock information and indicates where that information can be found.

Additionally, to monitor progress and help build momentum in developing a department-wide strategic policy and a coordinated joint-military service approach for managing its prepositioned stock program, we recommend that they:

4. Establish a timeline by which to complete the development of a department-wide strategic policy and joint-service implementation plan for prepositioned stock programs.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD for comment. In its written comments, DOD concurred with two of our recommendations, partially concurred with one recommendation, and did not concur with one

recommendation. Given DOD's disagreement with our last recommendation, we have added a matter for congressional consideration to this report. DOD's comments are summarized below and reprinted in entirety in appendix III.

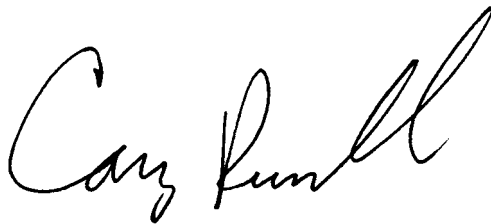
DOD concurred with our first recommendation, that it disclose in the report the fact that reconstitution funding data are current as of the end of the fiscal year, identify significant changes reported in these data from year to year, and provide explanations as to the reasons for the changes. DOD partially concurred with our second recommendation, that in its planned update to its War Reserve Materiel Policy document, DOD add language to clarify when and how risk assessments should be performed. DOD stated that it will re-evaluate the need to perform risk assessments for prepositioned war reserve material during the update of DOD Instruction 3110.06, and that it will determine whether changes are needed in the Chairman of the Joint Chiefs of Staff risk assessment process, which we did not review. We believe that DOD's proposed action may be responsive to our recommendation, depending on the extent to which DOD's evaluation of its risk assessment process, once completed, clarifies when and how risk assessments should be performed. DOD concurred with our third recommendation, that it include in the annual prepositioned stock report a section that identifies omitted prepositioned stock information and indicates where that information can be found. If implemented, these actions will help improve the consistency and quality of information contained in DOD's annual report, which will better assist Congress in overseeing and making informed decisions about DOD's prepositioning programs.

DOD did not concur with our fourth recommendation, that it establish a timeline by which to complete the development of a department-wide strategic policy and joint-service implementation plan for prepositioned stock programs. In its comments, DOD stated that the department has already communicated to Congress its plan regarding the additional development of strategic policy and implementation; that the plan is currently on track; and that the department will continue to update Congress semiannually on its progress. Therefore, DOD stated that no additional strategic policy documents are needed. However, DOD did not provide information describing key steps, milestones, or a completion date for the strategic policy and implementation plan to which it referred. Given that it has been 2 years since DOD was required to provide the policy and implementation plan to Congress, and given DOD's previous statement that its current efforts may take an additional year to complete, we believe it is necessary for DOD to establish a timeline to monitor

progress and promote momentum in developing department-wide strategic policy and a coordinated joint-military service approach for managing its prepositioned stock program. Consequently, we are including this as a matter for congressional consideration.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Under Secretary 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, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-5431 or russellc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix V.

A handwritten signature in black ink that reads "Cary Russell". The signature is written in a cursive, flowing style.

Cary Russell
Director, Defense Capabilities and Management

List of Committees

The Honorable John McCain
Chairman

The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Thad Cochran
Chairman

The Honorable Richard Durbin
Ranking Member
Subcommittee on Defense Committee on Appropriations
United States Senate

The Honorable Mac Thornberry
Chairman

The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Rodney Frelinghuysen
Chairman

The Honorable Pete Visclosky
Ranking Member
Subcommittee on Defense Committee on Appropriations
House of Representatives

Appendix I: Section 2229a of Title 10 of the United States Code, Requiring DOD to Report on Twelve Elements

Section 2229a of Title 10 of the United States Code requires the Secretary of Defense to report annually to the congressional defense committees on the status of prepositioned stocks and requires the Department of Defense's (DOD) report to include the following 12 elements:¹

1. The level of fill for major end items of equipment and spare parts in each prepositioned set as of the end of the fiscal year covered by the report.²
2. The material condition of equipment in the prepositioned stocks as of the end of such fiscal year, grouped by category or major end item.
3. A list of major end items of equipment drawn from the 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.
4. A timeline for completely reconstituting any shortfall in the prepositioned stocks.
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.
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.
7. A list of any nonstandard 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.³
9. An efficiency strategy for limited shelf-life medical stock replacement.

¹ 10 U.S.C. § 2229a.

² While 10 U.S.C. § 2229a does not define "major end items," DOD defines a major end item as a final combination of end products that is ready for its intended use. Department of Defense Manual 4140.01, *DOD Supply Chain Material Management Procedures*, vol. 5, p. 56 (Feb. 10, 2014).

³ While 10 U.S.C. § 2229a does not define "retrograde," DOD defines retrograde as the process for the movement of non-unit equipment and stocks from a forward location to a reset (replenishment, repair, or recapitalization) program or to another directed area of operations to replenish unit stocks, or to satisfy stock requirements.

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.

Appendix II: Section 321 of the National Defense Authorization Act for Fiscal Year 2014, Requiring DOD to Submit a Strategic Policy and an Implementation Plan That Establishes Joint Oversight

Section 321 of the National Defense Authorization Act (NDAA) for fiscal year 2014 requires DOD to maintain a strategic policy and, not later than 120 days after enactment of the law, to develop an implementation plan on the programs of the department for prepositioned stocks. The policy and the plan are to take into account national security threats, strategic mobility, service requirements, and the requirements of the combatant commands, and to address the ways in which the department's prepositioned stock programs, both ground and afloat, align with national defense strategies and departmental priorities. The strategic policy, which is codified in section 2229a of Title 10 of the U.S. Code,¹ shall include the following elements:

- A. Overarching strategic guidance concerning planning and resource priorities that link the Department of Defense's current and future needs for prepositioning stocks, such as desired responsiveness, to evolving national defense objectives.
- B. A description of the Department's vision for prepositioning programs and the desired end state.
- C. Specific interim goals demonstrating how the vision and end state will be achieved.
- D. A description of the strategic environment, requirements for, and challenges associated with prepositioning.
- F. Metrics for how the Department will evaluate the extent to which prepositioned assets are achieving defense objectives.
- G. A framework for joint departmental oversight that reviews and synchronizes the military services' prepositioned strategies to minimize potentially duplicative efforts and maximize efficiencies in prepositioned stocks across the Department of Defense.

Section 321 of the NDAA for fiscal year 2014 also requires that DOD establish joint oversight of the services' prepositioning efforts to maximize efficiencies across the Department of Defense. The implementation plan²

¹ Pub. L. No. 113-66, § 321(a) amended 10 U.S.C. § 2229(a).

² Pub. L. No. 113-66, §321(b), included at 10 U.S.C. §2229 note.

for the repositioning strategic policy required by section 2229 of Title 10 shall include the following elements:

- A. Detailed guidance for how the Department of Defense will achieve the vision, end state, and goals outlined in the strategic policy.
- B. A comprehensive list of the Department's repositioned stocks programs.
- C. A detailed description of how the plan will be implemented.
- D. A schedule with milestones for the implementation of the plan.
- E. An assignment of roles and responsibilities for the implementation of the plan.
- F. A description of the resources required to implement the plan.
- G. A description of how the plan will be reviewed and assessed to monitor progress.

Appendix III: Comments from the Department of Defense



LOGISTICS AND
MATERIEL READINESS

ASSISTANT SECRETARY OF DEFENSE
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

MAF 24 2016

Mr. Cary Russell
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 Government Accountability Office (GAO) Draft Report, GAO-16-418, "PREPOSITIONED STOCKS: DoD Has Addressed Required Reporting Elements but Needs to Develop a Department-wide Policy and Joint Service Approach" dated February 26, 2016 (GAO Code 352048). Detailed comments on the report recommendations are enclosed.

Sincerely,

A handwritten signature in black ink that reads "David J. Berteau".

David J. Berteau

Enclosure:
As stated

GAO DRAFT REPORT DATED FEBRUARY 26, 2016
GAO-16-418 (GAO CODE 352048)

**“PREPOSITIONED STOCKS: DOD HAS ADDRESSED REQUIRED REPORTING
ELEMENTS BUT NEEDS TO DEVELOP A DEPARTMENT-WIDE POLICY AND
JOINT SERVICE APPROACH”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION**

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff: to disclose in the report the fact that reconstitution funding data are current as of the end of the fiscal year, identify significant changes reported in the data from year to year, and provide explanations as to the reasons for the changes.

DoD RESPONSE: Concur.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff: to include in its planned update to its War Reserve Materiel Policy document, add language to clarify when and how risk assessments should be performed.

DoD RESPONSE: Partially Concur. The Department will re-evaluate the need to perform risk assessments for pre-positioned war reserve material during the update of DoDI 3110.06. Specifically, the department will determine if changes are needed in the Chairman of the Joint Chiefs of Staff risk assessment process. If they are, the Department will revise the existing risk assessment process, as needed.

RECOMMENDATION 3: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff: to include in the annual prepositioned stock report a section that identifies omitted prepositioned stock information and indicates where that information can be found.

DoD RESPONSE: Concur.

RECOMMENDATION 4: The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Chairman of the Joint Chiefs of Staff: to establish a timeline by which to complete the development of a department-wide strategic policy and joint-service implementation for prepositioned stock programs.

DoD RESPONSE: Non Concur. The Department has already communicated to Congress its plan regarding the additional development of strategic policy and implementation. The plan is currently on track, and the Department will continue to update Congress semiannually on its progress. No additional strategic policy documents are needed.

Appendix IV: Scope and Methodology

To evaluate the extent to which DOD's annual report addresses the 12 specific reporting elements under section 2229a of Title 10 of the United States Code, we analyzed that report on the status of prepositioned stocks for fiscal year 2014. We performed a content analysis in which we compared the prepositioned stock information in DOD's fiscal year 2014 report with the 12 reporting elements and assessed the extent to which DOD had addressed each required element. One GAO analyst coded the information and a different analyst verified the coding. Any initial disagreements in the coding were discussed and reconciled by the analysts. The analysts then tallied their responses to determine the extent to which the reporting elements were addressed. We assessed an element as addressed if DOD's report explicitly addressed all parts of the element. We assessed an element as partially addressed if at least one—but not all—parts of the required element were explicitly addressed. Finally, we assessed an element as not addressed if it did not explicitly address any part of the required element.

In the course of our work on this objective, we also identified issues with the reported data regarding reconstitution funding, risk assessments, and continuously excluded stocks. We identified these issues as a result of comparing data from the previous fiscal year report (fiscal year 2013) with those of the fiscal year 2014 report and supporting documentation. In addition, we selected for further review the services' estimates of any shortages in the amounts of funds required to completely reconstitute any shortfalls in prepositioned stocks because of the significance of this issue to the effective management of DOD's prepositioned stock program. We identified reported funding shortages in the fiscal year 2014 report for the services and compared information in the report and in available supporting documentation to federal standards for internal control indicating that quality information should be appropriate, current, complete, accurate, accessible, and provided on a timely basis.¹ We also performed follow-up analyses of the services' statements in the report that they were assuming risks for funding shortfalls, to determine the extent to which these statements were based upon a formal risk assessment of DOD's prepositioned stocks. DOD's War Reserve Materiel

¹ GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999). These standards were updated in 2014 as GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

Policy guidance² calls for the services to perform risk assessments, identifies what is to be included in these assessments, and specifies what is to be done in response to the risks identified. We also followed up on a recommendation in our report on DOD's fiscal year 2013 prepositioned stock report³ that DOD develop a standardized definition of prepositioned stocks that is consistent with that used in DOD's joint service guidance, and that DOD apply this definition consistently to identify prepositioned stocks across the department, to determine what actions, if any, DOD had taken in the fiscal year 2014 report. We confirmed our understanding of the information in discussions with cognizant officials.

To determine the extent to which DOD has made progress in developing a department-wide strategic policy and a coordinated joint military-service approach for managing prepositioned stock programs, we reviewed prior GAO reports and DOD and service guidance. Other documents we examined include correspondence to the defense committees on milestones and actions regarding DOD's ongoing efforts to develop a strategic policy and an implementation plan with a coordinated approach for prepositioning. We discussed with officials from the Office of the Secretary of Defense, the Joint Chiefs of Staff, and the military services the extent to which the department has developed department-wide guidance specific to prepositioned stocks and joint oversight.

To obtain information for our review, we met with officials from the following:

- Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness, Under Secretary of Defense for Acquisition, Technology and Logistics;
- Joint Chiefs of Staff, Operations, Logistics;
-
- U.S. Army, Headquarters, Deputy Chiefs of Staff for Operations and Plans, Logistics, and Programs;
- U.S. Army Materiel Command;
- U.S. Army Sustainment Command;

² Department of Defense Instruction 3110.06, *War Reserve Materiel (WRM) Policy* (June 23, 2008).

³ [GAO-15-570](#)

- U.S. Air Force, Headquarters, Logistics, Installations and Mission Support;
- U.S. Air Force, Air Combat Command, Logistics, Readiness and Plans;
- U.S. Air Force, 635th Supply Chain Operations Wing, Air Force Sustainment Center, Air Force Materiel Command;
- U.S. Marine Corps, Headquarters, Installations and Logistics.

We conducted this performance audit from June 2015 to April 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgment

In addition to the contact named above, individuals who made key contributions to this report include Larry J. Juneck, Assistant Director; Tracy W. Burney; Lionel C. Cooper; Greg E. Pugnetti; Michael D. Silver; Maria Storts; Sabrina C. Streagle; Tristan T. To; and Cheryl A. Weissman.

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