

September 2011

# WARFIGHTER SUPPORT

## Improved Cost Analysis and Better Oversight Needed over Army Nonstandard Equipment

U.S. Government Accountability Office

GAO90

YEARS

1921-2011

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## Why GAO Did This Study

As of March 2011, the Army had over \$4 billion worth of nonstandard equipment in Iraq—that is equipment not included on units' standard list of authorized equipment. Concurrently, the Department of Defense (DOD) has acquired over \$44 billion worth of Mine Resistant Ambush Protected vehicles (MRAP), most of which have been allocated to the Army. This equipment must be withdrawn from Iraq by December 31, 2011. GAO examined the extent to which the Army has plans and processes for the disposition of (1) nontactical nonstandard equipment; (2) tactical nonstandard equipment; and (3) MRAPs that are no longer needed in Iraq. In performing this review, GAO analyzed relevant documents, interviewed Army officials, and visited Sierra Army Depot, where most nontactical nonstandard equipment is shipped once it leaves Iraq.

## What GAO Recommends

GAO recommends that the Secretary of Defense direct Army authorities to (1) finalize decisions about the future status of tactical nonstandard equipment; (2) designate a focal point to oversee this equipment; and (3) undertake a thorough life-cycle cost estimate for its MRAPs. DOD concurred with our third recommendation, partially concurred with our first, and did not concur with the second. Given DOD's lack of visibility over tactical nonstandard equipment, GAO continues to believe a focal point is needed.

View [GAO-11-766](#). For more information, contact William Solis, at (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov).

## WARFIGHTER SUPPORT

### Improved Cost Analysis and Better Oversight Needed over Army Nonstandard Equipment

## What GAO Found

The Army has plans and processes for the disposition of nontactical nonstandard equipment (e.g., durable goods that are used to provide services for soldiers), and recently created a policy regarding the length of storage time. Excess nontactical nonstandard equipment is either redistributed in the U.S. Central Command theater, disposed of, provided to other nations through foreign military sales or other means, or shipped to depots in the United States. In April 2011, the Army issued two messages that updated its procedures for requisitioning excess nonstandard equipment stored at Sierra Army Depot and created a forum to determine its final disposition instructions. The intent was also to extend use of this equipment by making it available to Army units; when an item is deemed not operational, to dispose of it in theater; and to enter these instructions in a disposition database so they will no longer be shipped back to the United States. The Army would then avoid unnecessary transportation costs.

The Army has not made disposition decisions for most of its tactical nonstandard equipment (i.e., commercially acquired or non-developmental equipment rapidly acquired and fielded outside the normal budgeting and acquisition process), and its disposition process is impaired by a lack of visibility over this equipment and the absence of a focal point to manage this equipment. The Capabilities Development for Rapid Transition process enables the Army to assess tactical nonstandard equipment already in use in the U.S. Central Command theater and determine whether it should be retained for the Army's current and future force and subsequently funded in the Army's base budget. However, the decision about most of the equipment considered by the process is to continue to fund it with overseas contingency operations funds. In addition, the Army has no system to track, monitor, and manage its inventory of tactical nonstandard equipment and has no single focal point to oversee this equipment. Best practices as cited in GAO's *Standards for Internal Control in the Federal Government* call for effective stewardship of resources by developing detailed policies, procedures, and practices.

Although the Army has plans for the disposition of its MRAP fleet, its cost estimates are incomplete and do not follow cost-estimating best practices. The Army conducted a study to effectively guide its integration of MRAPs into its force structure. The selected option placed the majority of MRAPs in prepositioned stocks. However, this study did not incorporate analyses of future costs based on Department of Defense, Office of Management and Budget, and GAO cost-estimating guidance providing best practices; nor did it delineate total costs for sustainment of its MRAP fleet or when those costs would be incurred. Without such information, decision makers lack the perspective necessary to make asset-management and budgetary decisions. Although Army officials stated that they are working toward providing an estimate of future MRAP costs, this has not yet been completed.

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# Contents

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Letter		1
	Background	3
	Army Has Policies for Disposition of Nontactical Nonstandard Equipment	8
	The Army's Process to Assess Disposition of Tactical Nonstandard Equipment Does Not Compel Decisions about Most Equipment and Is Impaired by Lack of Oversight	13
	Army Has Finalized Disposition Plans for Its MRAP Fleet, but Its Cost Estimates Are Incomplete and Do Not Follow Best Practices	18
	Conclusions	23
	Recommendations for Executive Action	24
	Agency Comments and Our Evaluation	24
Appendix I	Scope and Methodology	29
Appendix II	Comments from the Department of Defense	31
Appendix III	GAO Contact and Staff Acknowledgments	35
Tables		
	Table 1: Sierra Army Depot Nontactical Nonstandard Equipment Received and Shipped, as of April 14, 2011	10
	Table 2: Allocation of MRAPs According to <i>Final Report, Army Capabilities Integration Center, Mine Resistant Ambush Protected Study II</i> (June 22, 2011)	19

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## Abbreviations

CDRT	Capabilities Development for Rapid Transition
CENTCOM	United States Central Command
DOD	Department of Defense
GSA	General Services Administration
LOGCAP	Logistics Civil Augmentation Program
MRAP	Mine Resistant Ambush Protected Vehicle
NASASP	National Association of State Agencies for Surplus Property
OMB	Office of Management and Budget

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United States Government Accountability Office  
Washington, DC 20548

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September 29, 2011

Congressional Addressees

Over the course of the war in Iraq, the U.S. Army has acquired equipment that it considers nonstandard, which is equipment issued to units that is not authorized on their modified table of organization and equipment.<sup>1</sup> This nonstandard equipment covers a wide range of items including construction equipment, materiel-handling equipment, flat-screen televisions, certain types of radios, advanced gunsights, gunshot detection equipment, and surveillance systems. According to Army documents, as of March 2011 nonstandard equipment in Iraq constituted approximately 47 percent of all Army equipment in Iraq, totaling about 523,000 pieces worth over \$4 billion. Another type of equipment—Mine Resistant Ambush Protected vehicles (MRAP)—just recently transitioned from nonstandard to standard items in the Army.<sup>2</sup> According to the MRAP Joint Program Office, as of July 2011 the Department of Defense (DOD) had acquired 27,740 MRAPs worth approximately \$44 billion. Over 21,000 of these vehicles have been allocated to the Army.<sup>3</sup>

In accordance with the Security Agreement signed between the United States and the Government of Iraq on November 17, 2008,<sup>4</sup> all U.S. forces must be withdrawn from Iraq by December 31, 2011. According to Army officials, this includes all Army equipment, standard and nonstandard. Plans for this drawdown have already been developed, but they may be changed or adjusted based on emerging requirements for DOD to support and sustain the Department of State in its assumption of the Iraq missions, on the uncertain Iraqi political and security

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<sup>1</sup>A modified table of organization and equipment documents the specific types and amounts of equipment U.S. Army units are authorized to have.

<sup>2</sup>MRAPs transitioned from nonstandard to standard items of Army equipment during the course of this engagement.

<sup>3</sup>For the purpose of this report, we are including the Mine Resistant Ambush Protected (MRAP) All Terrain Vehicle (M-ATV) in our MRAP discussion and figures. As of February 2011, the United States Marine Corps has 3,635 MRAPs; the Navy has 698 MRAPs; the Air Force has 815 MRAPs; and Special Operations Command has 1,083 MRAPs.

<sup>4</sup>*Agreement on the Withdrawal of United States Forces from Iraq and the Organization of Their Activities during Their Temporary Presence in Iraq*, U.S.-Iraq, Nov. 17, 2008, Temp. State Dept. No. 09-6.

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environment, and on developments elsewhere in the region, particularly Afghanistan. For example, on April 7, 2011, the Secretary of Defense said that the United States is willing to have a military presence in Iraq after December 31, 2011, if requested by the Government of Iraq.

Regardless of the changing situation in Iraq, Army officials have begun determining what to do about the disposition of nonstandard equipment no longer needed in Iraq. Some types of nonstandard equipment will be redistributed within the U.S. Central Command (CENTCOM) area of responsibility. Other types will be stored for future contingencies or transferred to other U.S. government agencies, other nations, or state and local governments. Finally, some nonstandard equipment may not be retained and may be either disposed of or provided to other nations through foreign military sales.

We have prepared this report under the Comptroller General's authority to conduct evaluations on his own initiative as part of a continued effort to assist Congress in its oversight of U.S. military efforts in Iraq. The objectives of our review were to determine (1) the extent to which the Army has plans and processes for the disposition of nontactical nonstandard equipment no longer needed in Iraq; (2) the extent to which the Army has plans and processes for the disposition of tactical nonstandard equipment no longer needed in Iraq; and (3) the extent to which the Army has plans and processes for the disposition of MRAPs no longer needed in Iraq.

To determine the extent to which the Army has plans and processes for the disposition of nontactical nonstandard equipment no longer needed in Iraq, we reviewed and analyzed relevant documents, including Army plans, messages, guidance, and briefings that addressed the subject. In addition, we interviewed Army officials at relevant organizations throughout the chain of command and at several different organizations. We also conducted a site visit to Sierra Army Depot, where the vast bulk of the Army's nontactical nonstandard equipment is shipped once it leaves Iraq, to view procedures and processes there for the evaluation, disposition, storage, and integration of nontactical nonstandard equipment.

To determine the extent to which the Army has plans and processes for the disposition of tactical nonstandard equipment no longer needed in Iraq, we reviewed and analyzed relevant documents, including Army plans, messages, guidance, regulations, and briefings that addressed the subject. We also reviewed Army Audit Agency reports on tactical

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nonstandard equipment; interviewed Army officials at several different, relevant organizations throughout the chain of command; and made a site visit to Fort Monroe, Virginia, where we interviewed officials from U.S. Army Training and Doctrine Command and from the Army Capabilities and Integration Center, both of which play leading roles in determining the ultimate disposition of tactical nonstandard equipment. We also interviewed officials from the Joint Improvised Explosive Device Defeat Organization to discuss the interface between that organization and the Army's processes for integrating tactical nonstandard equipment into its inventory.

To determine the extent to which the Army has plans and processes for the disposition of MRAPs no longer needed in Iraq, we reviewed and analyzed relevant documents, including Army plans, messages, guidance, and briefings that addressed the subject. In particular, we analyzed Army cost estimates for integrating MRAPs into its ground vehicle fleet and compared these estimates with DOD's instruction for economic analysis, the Office of Management and Budget's (OMB) guidance for conducting cost-benefit analyses, and GAO's Cost Estimating and Assessment Guide. We also considered in our analysis the Army's Tactical Wheeled Vehicle Strategy. We interviewed relevant officials with direct knowledge of the Army's future plans for its MRAPs throughout the chain of command and at different organizations, to include officials from the Army's budget office and Red River Army Depot, where MRAPs will be shipped once they are no longer needed in Iraq or Afghanistan. Moreover, since the MRAP program is a joint program under U.S. Marine Corps lead, we also interviewed officials from the MRAP Joint Program Office.

We conducted this performance audit from October 2010 through September 2011 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I includes more detailed information on our scope and methodology.

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## Background

The Army has divided nonstandard equipment into two broad categories:

- Nontactical nonstandard equipment, which consists primarily of durable goods that are used to provide services for soldiers as well as

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foreign governments. This equipment includes but is not limited to fire trucks and ambulances, as well as equipment used for laundry and food service. Most of this equipment has been acquired through the Logistics Civil Augmentation Program (LOGCAP) and is managed and sustained by contractors under the LOGCAP contract (hereinafter referred to as contractor-managed, government-owned property).<sup>5</sup>

- Tactical nonstandard equipment, which is commercially acquired or nondevelopmental equipment that is rapidly acquired and fielded outside the normal Planning, Programming, Budgeting, and Execution System and acquisition processes, in order to bridge capability gaps and meet urgent warfighter needs.

According to Army documents, as of March 2011, 36.5 percent of all Army equipment in Iraq was contractor-managed, government-owned property, with a value of approximately \$2.5 billion. Furthermore, as of March 2011 an additional 10.7 percent of Army equipment in Iraq, valued at approximately \$1.6 billion, was categorized as nonstandard equipment. According to Army officials, all equipment—standard and nonstandard—must be out of Iraq by December 31, 2011.

We have reported on issues related to nonstandard equipment in Iraq in the past. In September 2008 we identified several issues that could affect the development of plans for reposturing U.S. forces from Iraq.<sup>6</sup> One of those issues was that DOD, CENTCOM, and the military services had not clearly established roles and responsibilities for managing and executing the retrograde of standard and nonstandard equipment from Iraq. We also noted that data systems used during the retrograde process were incompatible, and although a fix for the data system incompatibility had been identified, it had not been implemented. As a result, we

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<sup>5</sup>This description, which is contained in a memo from the Secretary of the Army, also uses the term “White Equipment” to refer to this property. As defined in the memo, White Equipment is contractor-acquired, government-owned property. Memorandum from the Secretary of the Army, Army Directive 2010-07, *Non-Standard Equipment Interim Policy* (Aug. 4, 2010). Other Army guidance also includes government-furnished property in the definition of nontactical nonstandard equipment.

<sup>6</sup>GAO, *Operation Iraqi Freedom: Actions Needed to Enhance DOD Planning for Reposturing of U.S. Forces from Iraq*, [GAO-08-930](#) (Washington, D.C.: Sept. 10, 2008). According to DOD officials at the time, U.S. forces in Iraq would not be “drawn down” but rather “repostured.” Multi-National Force Iraq officials defined “reposture operations,” a nondoctrinal term, as the “realignment of forces, bases, and resources to adjust to changes in the operating environment.”

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recommended that the Secretary of Defense, in consultation with CENTCOM and the military departments, take steps to clarify the chain of command over logistical operations in support of the retrograde effort. We also recommended that the Secretary of Defense, in consultation with the military departments, correct the incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while they are in transit. DOD partially concurred with our first recommendation, and took steps to clarify the chain of command over logistical operations in support of the retrograde effort. DOD fully concurred with our second recommendation, stating that it was actively assessing various data systems used to maintain visibility over equipment and materiel while in transit. Finally, though we made no recommendations on this issue, we noted that maintaining accountability for and managing the disposition of contractor-managed, government-owned property may present challenges to reposturing in Iraq. In February 2009, in testimony before the Committee on Armed Services of the House of Representatives, we addressed factors that DOD should consider as the United States refines its strategy for Iraq and plans to draw down forces.<sup>7</sup> We then included a section on managing the redeployment of U.S. forces and equipment from Iraq in our March 2009 report on key issues for congressional oversight.<sup>8</sup> In November 2009, in a statement before the Commission on Wartime Contracting in Iraq and Afghanistan, we presented some preliminary observations on DOD's planning for the drawdown of U.S. forces from Iraq,<sup>9</sup> and in April 2010 issued a report that highlighted actions needed to facilitate the efficient drawdown of U.S. forces and equipment from Iraq.<sup>10</sup> In our April 2010 report, we noted that DOD had created new organizations to oversee, synchronize, and ensure unity of effort during the drawdown from Iraq,

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<sup>7</sup>GAO, *Iraq and Afghanistan: Availability of Forces, Equipment, and Infrastructure Should Be Considered in Developing U.S. Strategy and Plans*, [GAO-09-380T](#) (Washington, D.C.: Feb. 12, 2009).

<sup>8</sup>GAO, *Iraq: Key Issues for Congressional Oversight*, [GAO-09-294SP](#) (Washington, D.C.: Mar. 24, 2009).

<sup>9</sup>GAO, *Operation Iraqi Freedom: Preliminary Observations on DOD Planning for the Drawdown of U.S. Forces from Iraq*, [GAO-10-179](#) (Washington, D.C.: Nov. 2, 2009).

<sup>10</sup>GAO, *Operation Iraqi Freedom: Actions Needed to Facilitate the Efficient Drawdown of U.S. Forces and Equipment from Iraq*, [GAO-10-376](#) (Washington, D.C.: Apr. 19, 2010).

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and had established goals and metrics for measuring progress.<sup>11</sup> We also noted that, partly in response to our September 2008 report recommendations, representatives from the Secretary of Defense's Lean Six Sigma office conducted six reviews to optimize theater logistics, one of which focused on the process for retrograding equipment from Iraq, including disposition instructions.<sup>12</sup> Results from the Lean Six Sigma study influenced the development of a new data system—the Theater Provided Equipment Planner—which is intended to automate the issuance of disposition instructions for theater provided equipment. Complementing the Theater Provided Equipment Planner database was a second database—the Materiel Enterprise Non-Standard Equipment database—which catalogued all types of nonstandard equipment in Iraq in order to provide automated disposition. However, we also noted that officials in Iraq and Kuwait stated that, of all categories of equipment, they had the least visibility over contractor-managed, government-owned property, and that U.S. Army Central Command officials said they had low confidence in the accountability and visibility of nonstandard equipment. While these reports, testimonies, and statements focused primarily on plans, procedures, and processes within the CENTCOM area of responsibility, especially in Iraq and Kuwait, this report's focus will be specifically on nonstandard equipment and MRAPs, and primarily on the plans, processes, and procedures that affect its disposition once it leaves the CENTCOM area of responsibility.

MRAPs were first fielded in Iraq in May 2006 by the Marine Corps for use in western Iraq. A year later, the Secretary of Defense affirmed the MRAP program as DOD's most important acquisition program. As of July 2011, DOD's acquisition objective was 27,744 MRAPs; according to DOD officials, funding appropriated through fiscal year 2011 is sufficient to cover 27,740. The vast majority of these MRAPs were allocated to the Army for use in Iraq and, increasingly, in Afghanistan. According to Joint

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<sup>11</sup>Unity of effort requires coordination and cooperation among all forces toward a commonly recognized objective, although they are not necessarily part of the same command structure. Joint Chiefs of Staff Joint Pub. 1, *Doctrine for the Armed Forces of the United States* (Mar. 20, 2009).

<sup>12</sup>Lean Six Sigma, a disciplined process improvement methodology, has been endorsed by DOD leadership as a key means by which the department will become more efficient in its operations and more effective in its support of the warfighter. On April 30, 2007, the Deputy Secretary of Defense directed the establishment of a program office to drive DOD-wide activities with Lean Six Sigma.

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Program MRAP statistics, as of February 2011, MRAPs had been involved in approximately 3,000 improvised explosive device events, and have saved thousands of lives.

We have also reported on MRAPs in the past. In October 2009, we reported positively on the quick action taken by the Secretary of Defense to declare the MRAP program DOD's highest priority. However, we also noted as key challenges that long-term sustainment costs for MRAPs had not yet been projected and budgeted and that the services were still deciding how to incorporate MRAPs into their organizational structures.<sup>13</sup> In November 2009, in a statement before the Commission on Wartime Contracting in Iraq and Afghanistan, we noted that although the Army had not yet finalized servicewide requirements for its MRAPs, it had designated Red River Army Depot as the depot that would repair MRAPs, and had issued a message directing the shipment of 200 MRAPs from Kuwait to Red River Army Depot as part of an MRAP Reset Repair Pilot Program.<sup>14</sup> However, we also noted that as of October 2009, there were approximately 800 MRAPs in Kuwait awaiting transportation to the United States. In April 2010 we noted that the Army's strategy for incorporating MRAPs into its ground vehicle fleet was still pending final approval.<sup>15</sup>

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<sup>13</sup>GAO, *Defense Acquisitions: Rapid Acquisition of MRAP Vehicles*, [GAO-10-155T](#) (Washington, D.C.: Oct. 8, 2009).

<sup>14</sup>[GAO-10-179](#).

<sup>15</sup>[GAO-10-376](#).

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## Army Has Policies for Disposition of Nontactical Nonstandard Equipment

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### Army Has Plans and Processes for the Disposition of Nontactical Nonstandard Equipment

As part of the Iraqi drawdown effort, excess nonstandard equipment that is no longer needed in Iraq is either redistributed in the CENTCOM theater, disposed of, provided to other nations through foreign military sales, or packaged for retrograde to a variety of Defense Logistics Agency Distribution Depots or Sierra Army Depot in the United States. According to Army Materiel Command, the majority of the excess nontactical nonstandard equipment is sent to Sierra Army Depot.<sup>16</sup> According to officials at Sierra Army Depot, as of April 2011 the depot had received a total of 22,507 pieces of nontactical nonstandard equipment worth over \$114.9 million, and still has on hand approximately 13,200 items worth more than \$75 million. Smaller items, which are stored in a warehouse, include such items as desktop computers, computer monitors, printers, laptop computers, handheld palm computers, distress beacons, night vision goggles, rifle scopes, laser sights, radios, and radio frequency amplifiers. Larger items, which are stored outside, include all-terrain vehicles, generators, tractors, fire suppression systems, large refrigerators, and light sets.

Once the items are received at Sierra Army Depot, they are removed from their containers, inventoried, evaluated for serviceability, catalogued, and placed in the appropriate location in the warehouse or, if they are larger items, in the appropriate outside storage location. Simultaneously, once the items are catalogued, they are recorded in Sierra Army Depot's property book for accountability.

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<sup>16</sup>Other depots that receive much smaller amounts of retrograded nontactical nonstandard equipment are Tobyhanna Army Depot, Letterkenny Army Depot, and selected U.S. Army Medical Command Depots.

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## Army Uses Various Means to Redistribute Nontactical Nonstandard Equipment

According to guidance issued by Headquarters, Department of the Army, Army Materiel Command is to provide Army Commands,<sup>17</sup> Army Service Component Commands,<sup>18</sup> and Army Direct Reporting Units<sup>19</sup> access to the inventory of nontactical nonstandard equipment stored at depots such as Sierra Army Depot through the Materiel Enterprise Non-Standard Equipment database; the guidance also discusses use of the depot property book to view available nonstandard equipment. Using these means to view what is on hand at Sierra Army Depot, units can request items from Army Materiel Command, which will then process the request and coordinate for its shipment to the requesting unit. In January 2011, Army Materiel Command introduced another means by which units can requisition nontactical nonstandard equipment from Army Materiel Command. Called the “virtual mall,” this tool uses the Materiel Enterprise Non-Standard Equipment database as a means by which units can both view items at Sierra and other Army depots and request them for their use.

According to Sierra Army Depot records, as of April 2011 it had shipped more than 7,600 individual pieces of nontactical nonstandard equipment to various Army organizations. The total value for these items exceeded \$29 million. According to Sierra Army Depot officials, its single largest customer in terms of number of items shipped is U.S. Army Installation and Management Command (a Direct Reporting Unit), which, as of April 2011, had received almost 1,800 items of nontactical nonstandard

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<sup>17</sup>An Army Command is an army force, designated by the Secretary of the Army, that performs multiple Army functions across multiple disciplines. There are three Army Commands: U.S. Army Forces Command, U.S. Army Training and Doctrine Command, and U.S. Army Materiel Command. Army Regulation 10-87, *Organization and Functions: Army Commands, Army Service Component Commands, and Direct Reporting Units* (Sept. 4, 2007).

<sup>18</sup>An Army Service Component Command is an Army force, designated by the Secretary of the Army, comprised primarily of operational organizations serving as the Army component or of a combatant command or subunified command. Army Regulation 10-87. Although the regulation identifies only 9 Army Service Component Commands, there are currently 10 with the addition of U.S. Army Africa. Examples include U.S. Army Central, U.S. Army Europe, and U.S. Eighth Army, Korea. Army Regulation 10-87.

<sup>19</sup>A Direct Reporting Unit is an Army organization comprised of one or more units with institutional or operational functions, designated by the Secretary of the Army, normally to provide broad general support to the Army in a single, unique discipline not otherwise available elsewhere in the Army. There are 11 Direct Reporting Units. Examples include the U.S. Army Corps of Engineers, U.S. Army Military District of Washington, and the United States Military Academy. Army Regulation 10-87.

equipment from the depot, including computers, computer monitors, radios, “jaws of life,” cameras, generators, metal detectors, and binoculars. All equipment shipped from Sierra Army Depot is in “as is” condition. Receiving units are responsible for shipping costs and for any sustainment funding.

**Table 1: Sierra Army Depot Nontactical Nonstandard Equipment Received and Shipped, as of April 14, 2011**

Dollars in millions

Explanation	Receipts		Shipments	
	Items	Value	Items	Value
Total received at the Sierra Army Depot	22,507	\$114.9		
Total shipped from the Sierra Army Depot	8,548	39.0		
U.S. Army posts and bases worldwide			5,607	\$18.7
Sierra Army Depot, Information Management Directorate			250	6.9
U.S. Army Installation and Management Command			1,797	4.2
State and local governments through NASASP <sup>a</sup>			256	5.9
Defense Reutilization Management Office			638	3.2
Catalogue adjustments <sup>b</sup>	742	n.a.		
Equipment on hand at Sierra Army Depot	13,217	75.9		

Source: Sierra Army Depot.

Notes: n.a. = not applicable.

<sup>a</sup>National Association of State Agencies for Surplus Property.

<sup>b</sup>This is equipment received at Sierra Army Depot that is later found to be a component part of another piece of equipment. Examples include antennae that are later found to be component parts of certain radios.

As shown in table 1 above, Army units are not the only organizations that can requisition excess nontactical nonstandard equipment. If an item of nontactical nonstandard equipment has not already been requisitioned by Army or other federal agencies, such as the Department of State, local and state governments may seek to acquire it through the National Association of State Agencies for Surplus Property (NASASP), which accesses it through the General Services Administration (GSA). United States Forces-Iraq makes its excess nontactical nonstandard equipment lists available to GSA and NASASP, which in turn share these lists with state and local governments. Moreover, DOD has facilitated and partially funded the placement of a GSA/NASASP liaison in Kuwait. This liaison enables state and local governments to make informed decisions about available nontactical nonstandard equipment and coordinates its cleaning, customs clearance, movement, and movement tracking. The only costs incurred by state and local governments for equipment they

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decide to accept are transportation costs, and DOD has offered GSA/NASASP access to the Defense Transportation System, which provides door-to-door delivery, pricing at the DOD rate, and seamless customs processing. Finally, periodically GSA and NASASP officials are invited to Sierra Army Depot to screen excess nontactical nonstandard equipment on site that they did not have an opportunity to screen in theater.

According to Army documents, as of January 2011 local and state governments have claimed 20 items valued at over \$398,000 from Iraq, and, as of April 2011, an additional 256 items valued at almost \$6 million from Sierra Army Depot. These items include generators, forklifts, tool kits, bulldozers, light sets, and concrete mixers. As with Army units, excess nontactical nonstandard equipment is shipped in “as is” condition. Moreover, according to Army officials, some excess items, like generators, do not meet U.S. specifications and therefore require modification.

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### Army Recently Created Policy on How Long to Retain Nontactical Nonstandard Equipment before Disposal or Redistribution

Although Sierra Army Depot has been receiving nontactical nonstandard equipment from Iraq since November 2009, until recently the Army had no guidance as to how long that equipment should be stored before being either redistributed or disposed of. According to Army Materiel Command officials, the potential usefulness of much of the equipment stored at Sierra Army Depot will be lost if items just sit on the shelves. Moreover, Sierra Army Depot records indicate that, as of April 2011, 59 percent of the nontactical nonstandard equipment received at the depot since November 2009 was still in storage there, while approximately 34 percent was shipped to Army organizations for reuse—\$18.7 million to Army installations and bases throughout the world, \$6.9 million to the Sierra Army Depot, and \$4.2 million to the U.S. Army Installation and Management Command. Of the remaining 7 percent, approximately \$6 million was donated to state and local governments and \$3.2 million was transferred to disposal.

On April 27, 2011, Headquarters, Department of the Army, disseminated a message that updated its processes and procedures for the requisitioning of excess nonstandard equipment stored at selected Army Materiel Command depots. According to this message, the intent is to extend the use of that equipment where appropriate. The message also discusses the use of the “virtual mall” under the Materiel Enterprise Non-Standard Equipment database and Sierra Army Depot’s property book for units to view equipment. The message also states that the intent is that

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once an item is unserviceable or no longer operational, it can be disposed of through local Defense Logistics Agency Disposition Services.<sup>20</sup> Moreover, the April 2011 message calls for the establishment of an executive forum to review and determine the final disposition of excess nonstandard equipment stored at Sierra Army Depot for more than 180 days that has not been identified for reuse. According to this message, this semiannual review is intended to enable the Army's effort to apply due diligence in the final disposition of nonstandard equipment. In a follow-up to its April 27 message, Headquarters, Department of the Army, issued another message on June 2, 2011, that outlines the makeup of the executive forum, which met for the first time on June 18, 2011. Finally, although neither message states this explicitly, according to a senior official, once a decision is made by the executive committee to dispose of nontactical nonstandard equipment that has been at Sierra Army Depot for more than 180 days, similar instructions will be included in the Materiel Enterprise Non-Standard Equipment database to prevent items that have been determined not to have future value or serviceability from being shipped back to the United States. In this way unnecessary transportation costs will be avoided.

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<sup>20</sup>Formerly known as the Defense Reutilization and Marketing Service.

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## The Army's Process to Assess Disposition of Tactical Nonstandard Equipment Does Not Compel Decisions about Most Equipment and Is Impaired by Lack of Oversight

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### Army's Capabilities Development for Rapid Transition (CDRT) Process Evaluates Tactical Nonstandard Equipment

According to Army documents, in 2004, the Vice Chief of Staff of the Army directed U.S. Army Training and Doctrine Command's Army Capabilities and Integration Center to identify promising capabilities in use in the CENTCOM theater that, based on their performance, should quickly become enduring programs of record or acquisition programs. Originally called Spiral to the Army, this effort eventually evolved into the Army's Capabilities Development for Rapid Transition (CDRT) process. The CDRT process enables the Army to identify capabilities, most of which involve tactical nonstandard equipment that has been rapidly fielded, that are performing well in the CENTCOM theater and then to assess whether the capability should be retained in the Army's current and future force.<sup>21</sup> Developed by the Army Capabilities and Integration Center and the Army G-3/5/7, the CDRT process involves the periodic nomination and evaluation of tactical nonstandard equipment in use in the CENTCOM theater by a CDRT community of interest. This community includes representatives from the Office of the Secretary of Defense, the Joint Staff, various combatant commands, Army commands, Army service component commands, and various Army centers, such as the Army's armor center, infantry center, and signal center. At present, the CDRT community of interest convenes quarterly to evaluate nominated capabilities.

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<sup>21</sup>The CDRT process also evaluates capabilities associated with new or evolving tactics, techniques, or procedures.

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To qualify as a candidate for consideration in the CDRT process, a piece of tactical nonstandard equipment must first be nominated for consideration and, in addition, must have been in use for at least 120 days and have undergone an operational assessment, among other qualifications.<sup>22</sup> Once identified, a list of candidates for consideration is compiled by the Army Capabilities and Integration Center and the Army G-3/5/7 and then sent to the CDRT community of interest for assessment. Assessment of each item of equipment is performed through a scoring system based on survey responses from operational Army units. Based on the assessment, each piece of equipment is placed in one of three categories: Acquisition Program Candidate/Enduring, Sustain, or Terminate. Tactical nonstandard equipment placed in the “enduring” category is theater-proven equipment assessed as providing a capability applicable to the entire Army and to the future force; as such, it may become eligible to compete for funding in the Army’s base budget. Tactical nonstandard equipment placed in the “sustain” category is equipment assessed as filling a current operational need in the CENTCOM theater, but which is not applicable to the entire Army, useful to the future force, or not yet recommended as an enduring capability. Sustain category tactical nonstandard equipment is resourced through overseas contingency operations funding, and is not programmed into the Army’s base budget. Finally, tactical nonstandard equipment placed in the “terminate” category is equipment deemed to have been ineffective, or as obsolete, or as having not fulfilled its intended function, or as having no further utility beyond current use. Army policy states that tactical nonstandard equipment in this category is not to be allocated Department of the Army funding, although individual units may continue to sustain the equipment with unit funds.<sup>23</sup>

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<sup>22</sup>According to a U.S. Army Training and Doctrine Command regulation applicable to the process, to qualify as a candidate for consideration, a capability must be in use in an operational theater for at least 120 days, be operationally mature, fill a validated current force need, and be applicable as an enduring element of the future force. Material solutions must additionally be capable of production without major modification, not be an existing acquisition program, and have undergone an operational assessment. U.S. Army Training and Doctrine Command Regulation 71-20, *Concept Development, Capabilities Determination, and Capabilities Integration* (Feb. 23, 2011).

<sup>23</sup>Guidance specifies that additional use of Army funds to support this equipment is restricted to essential sustainment until sufficient quantities of replacement items are on hand, or until the equipment reaches the end of its useful life or is disposed of. Memorandum from the Secretary of the Army, *Non-Standard Equipment Interim Policy*.

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Through the CDRT process, the Army has been able to accelerate the normal process by which requirements and needs are developed, as outlined in the Joint Capabilities Integration and Development System.<sup>24</sup> That is because tactical nonstandard equipment placed in the enduring category as a result of the CDRT process enters the Joint Capabilities Integration and Development System at a more advanced developmental stage, as opposed to entering the system from the start. Accordingly, the Army views the CDRT process as a key means for determining the future disposition of rapidly fielded capabilities.

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### Most Army Tactical Nonstandard Equipment Is Sustained with Overseas Contingency Funds

Although one of the tenets of the CDRT process is to assess rapidly developed capabilities equipped to deployed units and move those proven in combat to enduring status as quickly as possible, a significant majority of the tactical nonstandard equipment evaluated to date has been categorized as sustain category equipment to be used only in the CENTCOM theater and paid for with overseas contingency operations funds. As of January 2011, the CDRT community of interest had met 10 times and considered 497 capabilities, of which 13 were nonmaterial capabilities. As a result, 30 material and 10 nonmaterial capabilities were selected as enduring; and an additional 13 capabilities were merged into other programs.<sup>25</sup> An example of an enduring category material capability involving tactical nonstandard equipment is the Boomerang Gunshot Detector, which is an antishooter detection system that detects gunfire and alerts soldiers to the shooter's location. A further 116 material capabilities were terminated. An example of a capability that was terminated because the CDRT community of interest considered it obsolete is the Cupola Protective Ensemble, which is protective clothing worn over body armor to protect troops from the blast effects of improvised explosive devices. The remaining 328 capabilities, including for example the Combined Information Data Network Exchange, were placed in the sustain category. According to Army officials, this piece of tactical nonstandard equipment was placed in the sustain category because, although it works well in the CENTCOM theater, it would not be applicable elsewhere, as it is a

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<sup>24</sup>The Joint Capabilities Integration and Development System was established to provide DOD with an integrated, collaborative process to identify and guide development of a broad set of new capabilities that address the current and emerging security environment.

<sup>25</sup>According to an Army official, a capability is merged with another system when it is recognized that it shares capabilities with other existing and emerging systems.

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database with intelligence information specific to that theater. Capabilities that are designated as sustain category items may be reviewed during future CDRT iterations to see if that decision is still valid, and selected excess equipment placed in this category and no longer required in theater is being warehoused by Army Materiel Command until called upon in the future. Army officials have also stated, however, that the majority of capabilities considered by the CDRT community of interest are placed in the sustain category because the Army has yet to make definitive and difficult decisions about whether it wants to keep them and cannot afford to sustain this equipment without overseas contingency operations appropriations. As we have previously recommended, DOD should shift certain contingency costs into the annual base budget to allow for prioritization and trade-offs among DOD's needs and to enhance visibility in defense spending. The department concurred with this recommendation.<sup>26</sup>

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**Lack of Oversight for Tactical Nonstandard Equipment Impairs Capabilities Development for Rapid Transition Process and May Inhibit Future Funding Estimates**

The effectiveness of the Army's CDRT process is also inhibited by the lack of a system to track, monitor, and manage this equipment, which, in turn, may be attributed to the absence of a single focal point with the appropriate authority to oversee the fielding and disposition of tactical nonstandard equipment. As stated above, to qualify as a candidate for consideration in the CDRT process, a piece of tactical nonstandard equipment must first be nominated. But without a system or entity responsible for tracking, monitoring, and managing all items of tactical nonstandard equipment in its inventory, some capabilities in the CENTCOM theater may not be nominated and, therefore, never considered by the CDRT community of interest.

According to federal best practices reported in GAO's *Standards for Internal Control in the Federal Government*, management is responsible for developing detailed policies, procedures, and practices to help program managers achieve desired results through effective stewardship of public resources.<sup>27</sup> To this end, in March 2011 we reported that DOD lacks visibility over the full range of its urgent needs efforts—one of the

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<sup>26</sup>GAO, *Overseas Contingency Operations: Funding and Cost Reporting for the Department of Defense*, [GAO-10-288R](#) (Washington, D.C.: Dec. 18, 2009).

<sup>27</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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methods through which tactical nonstandard equipment is obtained and fielded—including tracking the solutions developed in response to those needs. Additionally, we found that DOD does not have a senior-level focal point to lead the department’s efforts to fulfill validated urgent needs requirements. Accordingly, we recommended that DOD designate a focal point to lead the department’s urgent needs efforts and that DOD and its components, like the Army, develop processes and requirements to ensure tools and mechanisms are used to track, monitor, and manage the status of urgent needs. DOD concurred with our recommendation and stated that it would develop baseline policies that would guide the services’ own processes in tracking urgent needs and that the Director of the Joint Rapid Acquisition Cell would serve as the DOD focal point.<sup>28</sup> In April 2010 the Vice Chief of Staff of the Army issued a memorandum calling for the development of a rapid acquisition/rapid equipping common operating picture and collaboration tool, as a means to increase the efficiency and transparency of Army urgent needs processes. As of April 2011, however, Army officials stated that the system directed by the Vice Chief of Staff had yet to be deployed due to a lack of agreement over information sharing and over who would be responsible for the system. Because Army officials have repeatedly stressed that they do not have visibility over the entire universe of tactical nonstandard equipment in the CENTCOM theater and consider only those capabilities that have been nominated, in the absence of a common operating picture and a single focal point responsible for tracking, monitoring, and managing Army tactical nonstandard equipment it is possible that a piece of nonstandard equipment may exist in the CENTCOM theater that is either more effective, less expensive, or both, than a comparable piece of equipment that has been considered by the CDRT community of interest. Moreover, without visibility over the universe of tactical nonstandard equipment, the Army cannot project reset and sustainment costs for this equipment, and ensure that equipment is only being funded to the extent needed to meet a continuing requirement.

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<sup>28</sup>GAO, *Warfighter Support: DOD’s Urgent Needs Processes Need a More Comprehensive Approach and Evaluation for Potential Consolidation*, [GAO-11-273](#) (Washington, D.C.: Mar. 1, 2011).

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## Army Has Finalized Disposition Plans for Its MRAP Fleet, but Its Cost Estimates Are Incomplete and Do Not Follow Best Practices

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### Army Has Finalized Detailed Disposition Plans for Its MRAP Fleet

The Army has recently transitioned MRAPs from nonstandard to standard items of equipment and published detailed disposition plans outlining how the vehicles will be integrated into the Army's force structure. These detailed disposition plans are outlined in the document *Final Report, Army Capabilities Integration Center, Mine Resistant Ambush Protected Study II* (final report), which was released on June 22, 2011.<sup>29</sup> This final report followed an August 2010 U.S. Army Training and Doctrine Command study to determine the best means to integrate MRAPs into the overall Army force structure. The August 2010 study presented Army leaders with two courses of action. Although there were several similarities between the two—for instance, each called for the placement of approximately 1,700 MRAPs in training sets—there were also some substantial differences. Specifically, the first course of action called for the placement of the majority of the Army's MRAPs, more than 10,600, into prepositioned stocks. The second course of action allocated almost 4,000 fewer MRAPs to prepositioned stocks, and placed more with Army units. The August 2010 study recommended adoption of the first course of action because, according to Army officials, it offered the most balanced distribution of MRAPs among prepositioned stocks, training sets, reserve sets, and unit sets. Furthermore, the August 2010 study stated that other benefits that would accrue from the first course of action include reduced installation infrastructure effects and lower military construction costs, lower operations and maintenance costs, and lower life-cycle costs. For example, the study estimated that over a 25-year period, the first course

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<sup>29</sup>Army Capabilities Integration Center, *Final Report, Army Capabilities Integration Center, Mine Resistant Ambush Protected Study II* (June 22, 2011).

of action would accrue \$2.093 billion in life-cycle costs, while the second course of action would accrue \$2.548 billion in life-cycle costs (these costs do not include onetime costs, discussed below, for upgrading and standardizing MRAPs that are returned to the United States). According to Army officials, the savings would result from having more MRAPs in prepositioned stocks, which, in turn, require less maintenance. Finally, according to Army Training and Doctrine Command officials, the first course of action provided the Army better operational flexibility, because MRAPs would already be positioned in forward areas and would not have to be transported from the United States, while the approach would still maintain sufficient numbers of MRAPs for training.

On December 16, 2010, U.S. Army Training and Doctrine Command presented the results of its August 2010 study to the Army Requirements and Resourcing Board, for decision. On April 20, 2011, Headquarters, Department of the Army, published an order to provide guidance to develop an execution plan for the retrograde, reset, and restationing of the MRAP fleet, with an end state being an MRAP fleet that is properly allocated and globally positioned to support the full range of Army operations. The order did not give any specifics regarding the allocation of MRAPs across the Army ground vehicle fleet, however. According to Army officials, these specifics would be provided by the final report, which was released on June 22, 2011. According to the final report, MRAPs will be allocated as shown in table 2.

**Table 2: Allocation of MRAPs According to *Final Report, Army Capabilities Integration Center, Mine Resistant Ambush Protected Study II* (June 22, 2011)**

<b>Stocks and sets</b>	<b>Number of MRAPs</b>
Prepositioned Stock Sets	10,797
Unit Sets	4,727
Training Sets	1,989
Reserve Stocks	746
<b>Total</b>	<b>18,259</b>

Source: U.S. Army Training and Doctrine Command.

Although the specific allocation of MRAPs varies slightly from that recommended in the August 2010 study (for example, the course of action recommended in the August 2010 study allocated 970 MRAPs to reserve stocks instead of the 746 adopted by the final report), the reasons given in the final report for allocating the MRAPs across the fleet were essentially the same as proposed in the August 2010 study: to provide a

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balanced distribution of MRAPs between units and prepositioned stocks, to provide strategic depth and operational flexibility by placing the bulk of the MRAPs in prepositioned stocks, and to provide a pool of reserve stock MRAPs that could be used to sustain prepositioned stock sets and maintain unit MRAP readiness. In addition, as had the August 2010 study, the final report highlighted the expected life-cycle costs for MRAPs based on the chosen allocation. This figure, \$2.086 billion over 25 years, is slightly lower than the figure estimated in the August 2010 study.

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### Army's Cost Analysis of MRAP Disposition Is Incomplete and Does Not Fully Follow Cost Estimating Best Practices

Though both the August 2010 study and the final report state the estimated life-cycle costs for MRAPs over 25 years, neither estimate fully follows recommendations in DOD's instruction on economic analysis and decisionmaking,<sup>30</sup> Office of Management and Budget (OMB) guidance for conducting cost-benefit analyses,<sup>31</sup> and GAO's Cost Estimating and Assessment Guide.<sup>32</sup> For example, all three sets of guidance recommend that costs be calculated in or adjusted to present value terms, yet both the August 2010 study and the final report present costs in constant fiscal year 2011 dollars. While constant dollars allow for the comparison of costs across years by controlling for inflation, present value analysis is also recommended when aggregating costs to account for the time value of money. As a result of not doing a present value analysis and not recognizing the time value of money, the timing of when the costs are expected to occur is not taken into account. According to DOD's instruction for economic analysis and decisionmaking, "accounting for the time value of money is crucial to the conduct of an economic analysis."<sup>33</sup> Moreover, the August 2010 study and the final report present life-cycle costs in aggregate, yet OMB guidance regarding underlying assumptions suggests that key data and results, such as year-by-year estimates of benefits and costs, should be reported to promote independent analysis and review. DOD guidance suggests that the results of economic analysis, including all calculations and sources of data, should be

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<sup>30</sup>Department of Defense Instruction 7041.3, *Economic Analysis for Decisionmaking* (Nov. 7, 1995).

<sup>31</sup>Office of Management and Budget, Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* (Oct. 29, 1992).

<sup>32</sup>GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: March 2009).

<sup>33</sup>DOD Instruction 7041.3, p. 11.

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documented down to the most basic inputs to provide an auditable and stand-alone document, and the GAO guide says that it is necessary to determine when expenditures will be made. Without a year-by-year breakout of the costs, decision makers have no insight on the pattern of expenditures, a perspective that could be important for future asset management and budgetary decisions. Moreover, a year-by-year breakout of estimated costs would facilitate independent analysis and review.

Complicating the issue surrounding life-cycle costs for MRAPs is that neither the August 2010 study nor the final report indicates that the “known” life-cycle costs, as they are labeled, are not, in fact, the total life-cycle costs. According to Army officials, the costs depicted in both documents are differential costs, meaning that the only life-cycle costs that were used in the decision-making matrix were costs that would differ between the two courses of action. Conversely, costs associated with elements of each course of action that were the same were not included. For example, both courses of action delineated in the August 2010 study allocated 2,818 MRAPs to certain types of units (truck companies for convoy protection, for instance). According to Army officials, costs associated with these MRAPs were not included in the decision matrices depicted in either the August 2010 study or the final report, and nowhere in either report is this indicated. According to Army officials, the Army does not yet know the true total MRAP life-cycle costs, although the Army’s MRAP program management office is leading an effort to complete such an estimate no later than fiscal year 2015. Nevertheless, the fact that neither document states that the life-cycle costs presented in each are not total costs may be misleading for decision makers. It also raises the question of to what extent the Army considered the affordability of either alternative; the associated trade-offs in the sustainment of its current fleet of tactical and combat equipment; or offsets in future modernization procurement that might be necessary in its base budget to sustain the additional 18,259 vehicles, of which 4,727 will be assigned to units. Finally, although Army officials provided us with a copy of a sensitivity analysis,<sup>34</sup> which all three sets of guidance recommend, neither

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<sup>34</sup>*MRAP Study II Cost-Benefit Analyses, Sensitivity Analyses*, no date. This sensitivity analysis, which is in the form of PowerPoint slides, varies several criteria used to make the final decision about integrating MRAPs into the Army’s ground vehicle fleet. According to Army officials, the results of this sensitivity analysis confirm the final decision.

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the August 2010 study nor the final report indicates that a sensitivity or uncertainty analysis was done.

According to DOD documents, as a joint program, MRAPs have been allocated, through July 2011, \$44.1 billion in overseas contingency operations funding. The military departments consequently have not had to fully account for long-term budgetary aspects and will eventually face substantial operational support costs in their annual base budgets. Army officials have likewise expressed concern about the loss of overseas contingency operations funding for MRAPs once the vehicles become part of the Army's enduring force structure. Specifically, they are concerned about the Army's ability to fund operations and maintenance costs for MRAPs within the Army base budget and the funding trade-offs that might have to be made with other major acquisition programs.

On May 25, 2010, the Under Secretary of Defense (Comptroller) issued budget submission guidance to the DOD components stating that costs for non-war-related upgrades or conversions, home station training costs, and the storage of MRAPs not active in combat operations must be included in base budget estimates for fiscal years 2012 to 2016, thereby compelling the services to begin planning for funding MRAPs. Specific upgrades include increased armor protection, enhanced suspensions, and the standardization and consolidation of the many MRAP variants. In response, the Army has allocated \$142.9 million in its fiscal year 2012 base budget submission for the upgrade of 224 MRAPs at Red River Army Depot and, all told, has planned to budget for the upgrade of 3,616 MRAPs for fiscal years 2012 through 2016, at a cost of \$1.6 billion.<sup>35</sup> However, the Army has not allocated funding for home station training or MRAP storage over the same period.

According to the Army's Tactical Wheeled Vehicle Strategy,<sup>36</sup> one of the references used to inform the final report, it is important that the Office of the Secretary of Defense and the executive and legislative branches are kept informed of the Army's needs to support its given missions and of

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<sup>35</sup>Meanwhile, it is anticipated that reset and repair of MRAPs in the CENTCOM theater will continue to be funded with overseas contingency operations funds.

<sup>36</sup>Headquarters, Department of the Army, Deputy Chief of Staff, G-8, *Army 2010 Tactical Wheeled Vehicle Strategy* (Nov. 11, 2010). The 2010 Army Tactical Wheeled Vehicle Strategy charts the way ahead for the modernization and sustainment of the Army's wheeled vehicle fleet.

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any risks it foresees, so that thoughtful funding decisions can be made. In addition, this strategy states that the availability of adequate funding poses significant risks and that, if funding is lower than forecasted, the Army will be required to make difficult trade-offs that would, in turn, create increased operational risks. Moreover, in its April 20, 2011 order, Headquarters, Department of the Army, noted that one of the objectives of the order was to direct Planning, Programming, Budgeting, and Execution to ensure necessary action to identify and validate requirements used to inform future programming development. However, given the limitations to the cost estimates of both the August 2010 MRAP study and the final report on MRAPs, and the fact that the total cost estimates for the Army MRAP program are not yet complete, it is difficult to see how Planning, Programming, Budgeting, and Execution can be accomplished.

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## Conclusions

Although the Army has plans and processes for the disposition of its nontactical and tactical nonstandard equipment, challenges remain that, if left unresolved, could affect plans for the eventual drawdown of U.S. forces from Iraq as well as Afghanistan. Specifically, without greater oversight over the universe of tactical nonstandard equipment currently being employed in Iraq and without a single focal point responsible for maintaining oversight of this equipment, there is a potential that some tactical nonstandard equipment that has been effective will be overlooked, and the Army could potentially forfeit opportunities for cost-saving efficiency and for ensuring that servicemembers are provided the most effective combat system. In addition, because the Army has categorized the vast majority of the tactical nonstandard equipment that it has considered as equipment that will continue to be funded with overseas contingency operations funds, it has not had to make the hard decisions about finding money for these programs in its base budget. Yet the Army cannot afford to sustain this equipment without overseas contingency operations funds, and continuing to fund these items in this manner places a strain on the Army budget that is not transparent. Finally, future costs associated with MRAPs will remain uncertain without a thorough analysis of those costs based on DOD, OMB, and GAO best practices and the completion of a true total cost estimate. Moreover, without the disclosure of the complete set of costs associated with MRAPs, the Army, the Office of the Secretary of Defense, and congressional decision makers will be unable to ascertain the long-term budgetary effects of the program, which is critical information in a time when competing programs are vying for finite and increasingly constrained funding.

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## Recommendations for Executive Action

To facilitate the Army's ability to efficiently evaluate, integrate, and provide for the disposition of its nonstandard equipment being retrograded from Iraq, and supply DOD decision makers and Congress with accurate estimates of the future costs of these systems, we recommend that the Secretary of Defense direct the Secretary of the Army to take the following three actions:

- finalize decisions about the future status of tactical nonstandard equipment, fund those items deemed as enduring capabilities in the Army base budget if applicable, and provide Congress with its plans for and estimates on future funding for or costs associated with any equipment the Army will continue to use in theater that will not become enduring capabilities;
- designate a senior-level focal point within the Department of the Army with the appropriate authority and resources to manage the service's effort in overseeing the disposition of its tactical nonstandard equipment to include the implementation of a servicewide means to track, monitor, and manage this equipment; and
- undertake a thorough total life-cycle cost estimate for integrating MRAPs into its ground vehicle fleet in accordance with DOD, OMB, and GAO guidance and include costs for training, upgrades, standardization, and military construction and
  - use this estimate to assess the affordability of its current plans and make adjustments to those plans if warranted; and
  - provide the total life-cycle cost for integrating MRAPs into its ground vehicle fleet to Congress.

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## Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD partially concurred with our first recommendation, did not concur with our second recommendation, and concurred with our third recommendation. These comments are included in appendix II. In addition, DOD provided technical comments that were incorporated, as appropriate.

In response to our first recommendation that the Secretary of Defense direct the Secretary of the Army to finalize decisions about the future status of tactical nonstandard equipment, fund those items deemed as enduring capabilities in the Army base budget if applicable, and provide Congress with its plans for and estimates on future funding for or costs associated with any equipment the Army will continue to use in theater that will not become enduring capabilities, DOD partially concurred. In its response, DOD stated that the Capabilities Development for Rapid Transition (CDRT) process identifies enduring capabilities as Army Program Candidates and that the CDRT meets quarterly and provides

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recommendations to the DOD Joint Capabilities Development System, the Army Requirements Oversight Council, or the Joint Requirements Oversight Council depending on the acquisition strategy. DOD also stated that program managers and appropriate Army personnel then compete selected programs in the Program Operating Memoranda Joint Capabilities Assessment to secure funding and for inclusion in the President's Budget Submission. Finally, DOD stated that the Army will provide the recommended report regarding any equipment the Army will continue to sustain in theater after Army forces return from Iraq. We support DOD's rendering of a report to Congress outlining the equipment that it will continue to sustain in theater with overseas contingency operations funds. We also recognize that the CDRT process has resulted in a recommendation that certain equipment become programs of record and, as such, compete for funding in the Army's base budget. However, as we reported, of the 484 material capabilities considered by the CDRT process as of January 2011, only 30, including Armored Security Vehicles and One-System Remote Video Terminals, have received such a recommendation while 328 material capabilities considered by CDRT were still being maintained by overseas contingency operations funds. Army officials familiar with the CDRT process have stated that the Army has yet to make definitive and difficult decisions about the majority of the material capabilities considered by CDRT and it cannot afford to sustain this equipment without overseas contingency operations funds. However, in order for the department to plan for and Congress to be informed of the future cost effect of sustaining new items of equipment after the end of overseas contingency operations funding, we continue to believe that the Army should eliminate this unknown by finalizing decisions about the future status of its tactical nonstandard equipment.

DOD did not concur with our recommendation that the Secretary of Defense direct the Secretary of the Army to designate a senior-level focal point within the Department of the Army with the appropriate authority and resources to manage the service's effort in overseeing the disposition of its tactical nonstandard equipment to include the implementation of a servicewide means to track, monitor, and manage this equipment. In its response, DOD stated that our recommendation does not account for the complexity covering requirements determination and approval, combat development, materiel development, management, and sustainment. In addition, DOD's response stated that the Army used the same processes for managing nonstandard equipment as it does to manage standard equipment and highlighted the responsibilities of the Army G-3/5/7, G-8, G-4, and Assistant Secretary of the Army for Acquisition, Logistics, and Technology with regard to nonstandard equipment. Moreover, in its

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response DOD maintained that the Army has visibility of the nonstandard equipment in theater and has undertaken extensive efforts to ensure all nonstandard equipment is brought to record and accounted for, and that the Army staff and the Life Cycle Management Commands review nonstandard equipment on a recurring basis to determine its disposition. In summation, DOD's position is that the Army does not believe it advisable to treat tactical nonstandard equipment different from nontactical nonstandard equipment or standard equipment. However, as the report points out, the Army already does treat tactical nonstandard equipment differently than nontactical nonstandard equipment and standard equipment, a fact underscored by the existence of the CDRT process, which is applicable only to tactical nonstandard equipment and not to any other types of equipment. In addition, Army officials repeatedly stressed to us that they do not have visibility over the universe of tactical nonstandard equipment in the CENTCOM theater. Army officials also told us that, despite an April 2010 memorandum from the Vice Chief of Staff of the Army calling for the development of a common operating picture and collaboration tool as a means to increase efficiency and transparency of Army urgent needs processes by which tactical nonstandard equipment is acquired, as of April 2011 one had yet to be fielded due to a lack of agreement over information sharing and over who would be responsible for the system. Moreover, in March 2011, DOD concurred with our recommendation that the department appoint a senior-level focal point to lead its urgent needs efforts and that its components, like the Army, develop processes and requirements to ensure tools and mechanisms are used to track, monitor, and manage the status of urgent needs. On the basis of the above, we continue to believe that like DOD, the Army should designate a senior-level focal point with the appropriate authority and resources to manage the service's efforts in overseeing the disposition of its tactical nonstandard equipment to include the implementation of a servicewide means to track, monitor, and manage this equipment.

DOD concurred with our third recommendation that the Secretary of Defense direct the Secretary of the Army to undertake a thorough total life-cycle cost estimate for integrating MRAPs into its ground vehicle fleet in accordance with DOD, OMB, and GAO guidance and include costs for training, upgrades, standardization, and military construction; that the Army use this estimate to assess the affordability of its current plans and make adjustments to those plans if warranted; and that the Army provide the total life-cycle cost for integrating MRAPs into its ground vehicle fleet to Congress. DOD commented that the Army staff, in conjunction with the Joint Program Office, is now conducting a Sustainment Readiness

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Review that addresses issues of total life-cycle costs for MRAPs, and that it will continue to refine its estimates to determine total life-cycle costs, which will inform future budget decisions as the Army continues to reset its force. We believe that if the Army's total life-cycle cost estimate is conducted in accordance with DOD, OMB, and GAO guidance and used to develop an affordable plan for integrating MRAPs into its vehicle fleet as well as to provide Congress with a total life-cycle cost of its plan, its actions will be responsive to our recommendations.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and the Secretary of the Army. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Should you or your staff have any questions on the matters discussed in this report, please contact me at (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov). Contact points for our Offices of Congressional relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read 'W. Solis', with a long horizontal flourish extending to the right.

William M. Solis  
Director, Defense Capabilities and Management

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*List of Addressees*

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

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

The Honorable John Tierney  
Ranking Member  
Subcommittee on National Security, Homeland Defense and Foreign  
Operations  
Committee on Oversight and Government Reform  
House of Representatives

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# Appendix I: Scope and Methodology

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To determine the extent to which the Army has plans and processes for the disposition of nontactical nonstandard equipment no longer needed in Iraq, we reviewed and analyzed relevant documents, including various Army messages that address the procedures for requisitioning retrograded nonstandard equipment from Iraq. In addition, we interviewed Army officials at relevant organizations throughout the chain of command and at several different organizations. We also reviewed Army Materiel Command briefings regarding the Materiel Enterprise Non-Standard Equipment database and Virtual Mall demonstrations and spoke with officials involved with the National Association of State Agencies for Surplus Property program. Furthermore, we also conducted a site visit to Sierra Army Depot, where the vast bulk of the Army's nontactical nonstandard equipment is shipped once it leaves Iraq, to view procedures and processes there for the evaluation, disposition, storage, and integration of nontactical nonstandard equipment. We also drew from our body of previously issued work related to nonstandard equipment to include various Iraq drawdown-related issues to identify areas where the Department of Defense (DOD) could make improvements in executing and managing the retrograde of standard and nonstandard equipment from Iraq.

To determine the extent to which the Army has plans and processes for the disposition of tactical nonstandard equipment no longer needed in Iraq, we reviewed and analyzed relevant documents, including Army plans, messages, guidance, regulations, and briefings that addressed the subject. We also reviewed Army Audit Agency reports that specifically address the Capabilities Development for Rapid Transition process as well as the sustainment of tactical nonstandard equipment. In addition, we interviewed Army officials at several relevant organizations throughout the chain of command and made a site visit to Fort Monroe, Virginia, where we interviewed officials from U.S. Army Training and Doctrine Command and from the Army Capabilities and Integration Center, both of which play leading roles in determining the ultimate disposition of tactical nonstandard equipment. We also interviewed officials from the Joint Improvised Explosive Device Defeat Organization to discuss the interface between that organization and the Army's processes for integrating tactical nonstandard equipment into its inventory. Finally, we drew from

our body of previously issued work examining DOD's urgent needs processes and the need for DOD to obtain visibility over these efforts.<sup>37</sup>

To determine the extent to which the Army has plans and processes for the disposition of Mine Resistant Ambush Protected vehicles (MRAP) no longer needed in Iraq, we reviewed and analyzed relevant documents, including Army plans, messages, guidance, and briefings that addressed the subject. In particular, we reviewed the Army's MRAP disposition plans included in the *Final Report, Army Capabilities and Integration Center, Mine Resistant Ambush Protected Study II*, and also considered in our analysis the Army's Tactical Wheeled Vehicle Strategy. We also analyzed Army cost estimates for integrating MRAPs into its ground vehicle fleet and compared these estimates with DOD's instruction for economic analysis, the Office of Management and Budget's guidance for conducting cost-benefit analyses, and GAO's Cost Estimating and Assessment Guide. We interviewed relevant officials with direct knowledge of the Army's future plans for its MRAPs throughout the chain of command to include officials from the Army's budget office and Red River Army Depot, where MRAPs will be shipped once they are no longer needed in Iraq or Afghanistan. Moreover, we made a site visit to Fort Monroe, Virginia, where we interviewed officials from U.S. Army Training and Doctrine Command and from the Army Capabilities and Integration Center, both of which were tasked to complete the MRAP Study II Final Report; and since the MRAP program is currently a joint program under U.S. Marine Corps lead, we also interviewed officials from the MRAP Joint Program Office. Finally, we also drew from our body of previously issued work regarding MRAPs to include the rapid acquisition of these vehicles as well as the challenges the services have faced with incorporating MRAPs into their organizational structures.<sup>38</sup>

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<sup>37</sup>For example, GAO, *Warfighter Support: Improvements to DOD's Urgent Needs Processes Would Enhance Oversight and Expedite Efforts to Meet Critical Warfighter Needs*, [GAO-10-460](#) (Washington, D.C.: Apr. 30, 2010).

<sup>38</sup>For example, GAO, *Defense Acquisitions: Rapid Acquisition of MRAP Vehicles*, [GAO-10-155T](#) (Washington, D.C.: Oct. 8, 2009) and GAO, *Defense Acquisitions: Issues to Be Considered as DOD Modernizes Its Fleet of Tactical Wheeled Vehicles*, [GAO-11-83](#) (Washington, D.C.: Nov. 5, 2010).

# Appendix II: Comments from the Department of Defense



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

SEP 12 2011

Mr. William M. Solis  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the GAO Draft Report, GAO-11-766, "WARFIGHTER SUPPORT: Improved Cost Analysis and Better Oversight Needed Over Army Non-standard Equipment," dated August 10, 2011 (GAO Code 351550). The Department partially concurs with recommendation #1, non-concurs with recommendation #2 and concurs with recommendation #3. Detailed comments on the report recommendations are enclosed.

We appreciate the opportunity to comment on the draft report. Technical comments were provided separately for your consideration. Should you have any questions, please contact Mr. Brian Stutz, [Brian.Stutz@osd.mil](mailto:Brian.Stutz@osd.mil), 571-256-1219.

Sincerely,

A handwritten signature in black ink, appearing to read "T. P. Dee".

Thomas P. Dee  
Director  
Joint Rapid Acquisition Cell

Enclosure:  
As stated

GAO DRAFT REPORT DATED AUGUST 10, 2011  
GAO-11-766 (GAO CODE 351550)

“WARFIGHTER SUPPORT: IMPROVED COST ANALYSIS AND  
BETTER OVERSIGHT NEEDED OVER ARMY NON-STANDARD  
EQUIPMENT”

DEPARTMENT OF DEFENSE COMMENTS  
TO THE GAO RECOMMENDATIONS

**RECOMMENDATION 1:** The GAO recommends that the Secretary of Defense direct the Secretary of the Army to finalize decisions about the future status of tactical non-standard equipment, fund those items deemed as enduring capabilities in the Army base budget if applicable, and provide Congress with its plans for and estimates on future funding for or costs associated with any equipment the Army will continue to use in theater that will not become enduring capabilities.

**DOD RESPONSE:** Partially concur. The Army (as noted in the report) already has a process that achieves the recommended end state. The Capabilities Development for Rapid Transition (CDRT), led by Army G-3, identifies those enduring capabilities as Army Program Candidates (APCs). CDRT meets quarterly and provides recommendations to the DOD Joint Capabilities and Development System (JCIDS) or the Army Requirements Oversight Council (AROC) or the Joint Requirements Oversight Council (JROC) depending on acquisition category. Program managers and Army Staff System Synchronization Officers then compete these programs (i.e. Armored Security Vehicles (ASV), One-System Remote Video Terminals (OSRUT), etc.) in the Program Operating Memoranda Joint Capabilities Assessment to secure funding and inclusion in the annual Presidents Budget Submission. The Army will provide the recommended report regarding any equipment the Army will continue to sustain in theater after Army forces return from Iraq.

**RECOMMENDATION 2:** The GAO recommends that the Secretary of Defense direct the Secretary of the Army to designate a senior-level focal point within the Department of the Army with the appropriate authority and resources to manage the service's effort in overseeing the disposition of its tactical non-standard equipment to include the implementation of service-wide means to track, monitor and manage this equipment.

**DOD RESPONSE:** Non-concur. The recommendation does not account for the complexity covering requirements determination and approval, combat

development, materiel development, management and sustainment. The Army uses the same processes for managing non-standard equipment as it does to manage standard equipment. The G-3/5/7 maintains oversight for requirements evaluation and approval, the G-8 and ASA(ALT) for programming and acquisition and the G-4 for overall materiel sustainment. Current Army policy requires all non-expendable property (to include non-standard equipment) to be maintained on an accountable system of record. For the tactical force, that is the Property Book Unit Supply-Enhanced (PBUSE). Through PBUSE, the Army has visibility of the non-standard equipment in theater. The Army has undertaken extensive efforts to ensure all non-standard equipment is brought to record and accounted for through the Army-wide property accountability campaign which utilizes the United States Army Audit Agency, the DoD and Department of the Army Inspector General staff to assess and measure progress. In addition, the Army Staff and the Life Cycle Management Commands review non-standard equipment on a recurring basis to determine its disposition. Non-standard equipment, both tactical and non-tactical, is identified for retrograde, divestment or disposal based upon the items potential for use outside the theater of operations. Additionally, the G-4 has established a quarterly nonstandard equipment review board to determine and oversee the disposition of nonstandard equipment at Sierra Army Depot. The first board met in July 2011 with the second board scheduled in October 2011 . The Army does not believe it advisable to treat tactical non-standard equipment different from non-tactical non-standard equipment or standard equipment.

**RECOMMENDATION 3:** The GAO recommends that the Secretary of Defense direct the Secretary of the Army to undertake a thorough total life-cycle cost estimate for integrating MRAPs into its ground vehicle fleet in accordance with DoD, OMB, and GAO guidance and include costs for training, upgrades, standardization, military construction and;

- Use this estimate to assess the affordability of its current plans and make adjustments to those plans if warranted; and
- Provide to total life-cycle cost for integrating MRAPs into its ground vehicle fleet to Congress.

**DOD RESPONSE:** Concur. The Mine Resistant Ambush Protected (MRAP) Family of Vehicles was a rapid acquisition Joint Program providing protected mobility for Soldiers in Iraq and Afghanistan and saved lives. As a result of the rapid acquisition strategy, 25 MRAP variants were produced over time to meet an evolving threat. The Army plans to reduce the number of variants to nine in order to optimize management of the MRAP enduring fleet. Joint Program Office MRAP ICW the Army Staff is now conducting the Sustainment Readiness Review

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(SRR) which addresses issues of total life cycle costs. SRR will continue to refine its estimates to determine total life cycle costs which will inform future budget decisions as the Army continues to RESET the force.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

William M. Solis (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, individuals who made key contributions to this report include Larry Junek, Assistant Director; Nick Benne; Stephen Donahue; Guy LoFaro; Emily Norman; Charles Perdue; Carol Petersen; Michael Shaughnessy; Maria Storts; and Cheryl Weissman.

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