



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

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To the Chairmen of the House and  
Senate Committees on Appropriations  
and Government Operations

Army Reimbursement

The Department of Defense submitted a statement to your Committee on November 12, 1975, advising that it does not plan to implement a recent recommendation we made that the Army be reimbursed from military assistance funds for \$5.7 million in nonexcess defense articles transferred to Thailand. Our recommendation was included in our June 10, 1975, report to Senator Edward M. Kennedy, "Excess Defense Articles Valuation and Transfers of War Reserve Materials to Allies" (ID-75-69), a copy of which was subsequently sent to your Committee.

This report described, among other things, how the Department of Defense in 1974 transferred at least \$5.7 million in M-16 rifles and other nonexcess equipment to Thailand as excess defense articles. We pointed out that, although instructions had been issued to process the items under excess procedures, most of them were not charged against the fiscal year 1974 excess program. We recommended that the Army be reimbursed with military assistance program funds for all nonexcess items transferred to Thailand in fiscal year 1974.

The Deputy Assistant Secretary did not question the accuracy of our finding on the transfer of non-excess equipment to Thailand. However, he stated that the (1) Defense decision on the transfer was based on political/military considerations, (2) Department of State participated in the decision, (3) weapons were in consideration of certain U.S. obligations, and (4) transfer was provided for in a memorandum of understanding with Laos and in an oral agreement with Thailand. For these reasons, Defense does not plan to reimburse the Army for this material.

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The Deputy Assistant Secretary avoided the real issue raised in the report--that the material should have been paid for out of military assistance funds. We see no reason in this instance to warrant departure from the normal reimbursement requirements of section 632(d) of the Foreign Assistance Act, which states that "reimbursement shall be made to any United States Government agency, from funds available for use under part II (military assistance), for any assistance furnished under part II from, by, or through such agency." The Deputy Assistant Secretary, having stated that Defense does not plan to reimburse the Army left unanswered why this provision of the law was not followed.

Since these comments also indicate that the Department of State was involved in the transfer decision, we are sending a copy of this letter to the Secretary of State and suggesting that he transmit a statement on this matter to the House and Senate Committees on Appropriations and Government Operations.

Copies of this letter are also being sent to the House and Senate Committees on Appropriations, House and Senate Committees on Government Operations, Office of Management and Budget, Secretary of Defense, and interested congressional recipients.

Should you have any questions, we would be pleased to discuss these matters with you in detail.

*James B. Steute*

Comptroller General  
of the United States

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