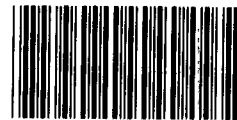


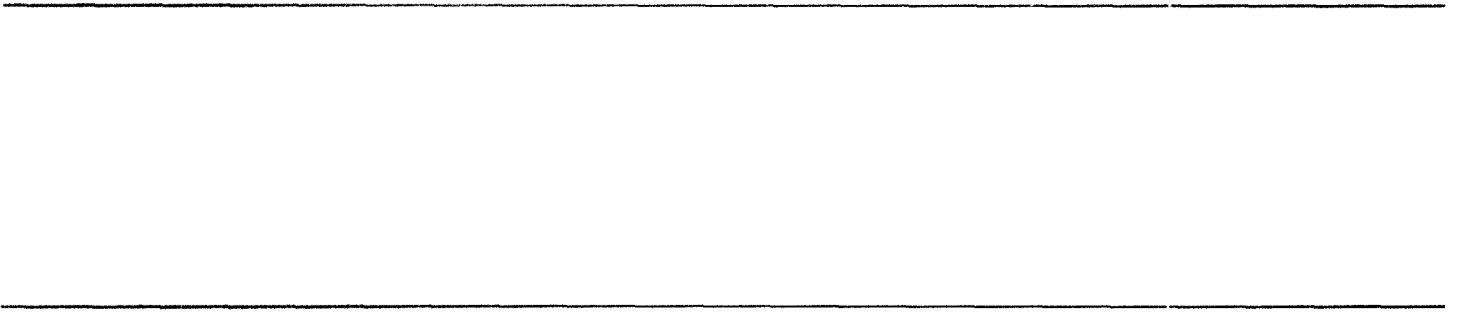
May 1992

# OPERATIONS DESERT SHIELD/STORM

## Foreign Government and Individual Contributions to the Department of Defense



146559





**United States  
General Accounting Office  
Washington, D.C. 20548**

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**Comptroller General  
of the United States**

B-247641


May 11, 1992

To the President of the Senate and the  
Speaker of the House of Representatives

Public Laws 101-403 (Oct. 1, 1990) and 101-510 (Nov. 5, 1990) authorized the Secretary of Defense to accept any contribution of money, real or personal property, services, and supplies from any person, foreign government, or international organization. The legislation also required GAO to conduct an annual audit of such contributions. This report discusses the Department of Defense's administration of contributions accepted as of September 30, 1991.

We are sending copies of this report to other interested congressional committees, the Secretary of Defense, the Secretary of State, and the Director, Office of Management and Budget. Copies will be made available to others on request.

The report was prepared under the direction of Joseph E. Kelley, Director, Security and International Relations Issues, who may be reached on (202) 275-4128 if you or your staff have any questions. Other major contributors are listed in appendix IV.

*for* 

Charles A. Bowsher  
Comptroller General  
of the United States

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# Executive Summary

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## Purpose

As of September 30, 1991, foreign governments and private individuals contributed about \$48.7 billion to the Department of Defense (DOD), primarily to defray the costs of Operations Desert Shield and Storm. The Congress has been concerned that contributions accepted by DOD be adequately controlled and disbursed. As a result, Public Laws 101-403 (Oct. 1, 1990) and 101-510 (Nov. 5, 1990) required GAO to annually audit contributions to DOD. To comply with this requirement, GAO reviewed contributions accepted as of the end of fiscal year 1991 to determine whether DOD had administered these contributions in accordance with applicable legislative and accounting requirements.

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## Background

Public Laws 101-403 and 101-510 authorized the Secretary of Defense to accept any contribution of money, real or personal property, services, and supplies from any person, foreign government, or international organization. The legislation also required DOD to periodically report to the Congress on any contributions and to prescribe regulations governing contributions.

Public Law 101-403 also established a special Department of the Treasury account, referred to as the Defense Cooperation Account, and required DOD to credit all contributions of money and proceeds from the sale of any property to this account. DOD was authorized to invest account funds in securities, provided that any interest or other income accrued to the account. However, account funds may be made available only through congressional action. Further, to comply with the Budget and Accounting Procedures Act of 1950 and other government accounting requirements, DOD was required to establish and document internal controls and procedures for administering the account.

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## Results in Brief

As of September 30, 1991, DOD had accepted about \$48.7 billion in contributions from foreign governments and \$687,000 from private U.S. and foreign individuals. Foreign contributions consisted of cash and in-kind support, such as equipment and transportation, to defray Operations Desert Shield/Storm costs. Major contributors were Saudi Arabia, Kuwait, the United Arab Emirates, Japan, Germany, and Korea. Individual contributions consisted of cash donations to defray the costs of Desert Shield/Storm and for other DOD needs. As of April 10, 1992, foreign contributions had increased to \$53.7 billion and individual contributions had increased to \$688,000.

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DOD credited all cash contributions to the account and administered these funds in accordance with applicable legislative and accounting requirements. DOD also established procedures for tracking, reporting, and valuing in-kind support. GAO found some reporting discrepancies, and DOD corrected these errors. Because data from contributing countries was not always available, DOD estimated the value of some contributions, and, as a result, the estimated value may differ from the actual cost incurred by the contributor.

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## Principal Findings

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### Administration of Cash Contributions

As of September 30, 1991, deposits to the Defense Cooperation Account totaled about \$43.6 billion, including about \$43.2 billion in cash contributions and \$400 million in earned interest. During fiscal year 1991, the Congress authorized DOD to transfer up to \$44.5 billion from the account to other DOD accounts and to other agencies to fund incremental costs of Desert Shield and Desert Storm as well as other related costs. Of the total deposited, DOD transferred about \$35.5 billion to DOD accounts and \$527 million to other agencies. The remainder consisted of securities investments of about \$7.5 billion and a cash balance of about \$4,000.

DOD deposited, invested, and transferred account funds in accordance with legislative requirements. Specifically, DOD

- credited all foreign government and individual contributions and interest earned to the account;
- invested account funds only in short-term U.S. securities; and
- transferred account funds to DOD accounts used to fund incremental costs of Desert Shield and Desert Storm and to other accounts, as specified by the Congress. GAO was unable to confirm the specific application of account funds because DOD's systems lack the capability to reliably determine incremental costs.

Further, DOD implemented adequate accounting procedures and internal controls to administer the account. For example, accounting personnel adequately documented and processed account transactions in a timely manner and implemented safeguards to limit access to the account.

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**Accounting and Valuation of In-kind Contributions**

As of September 30, 1991, foreign governments had contributed in-kind goods and services valued at about \$5.6 billion. DOD implemented procedures to track and report these contributions, including a centralized reporting system. DOD adequately reported in-kind contributions; however, a spot check of supporting records revealed some discrepancies. For example, DOD inadvertently overstated the value of certain vehicles provided by Germany by about \$44 million. Also, some costs incurred by DOD were included in the value assigned to Saudi Arabia's support, and other costs incurred by that country were excluded. Further, the Army reported about \$9.5 million for refrigerator vans that the U.S. Central Command had funded, and the Marine Corps excluded about \$432,000 for medical support and water that the Saudi government had provided. GAO informed DOD of these discrepancies, and DOD adjusted the reported values.

DOD developed a methodology for valuing in-kind contributions, but experienced difficulties in valuing certain goods and services because cost data was not always available. In these cases, DOD officials estimated the value using information provided verbally from local suppliers, prices paid under previously held U.S. contracts, or standard U.S. cost factors. Because DOD had to estimate the value, the estimated value may differ from the actual cost incurred by the contributing country.

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**Recommendations**

GAO makes no recommendations in this report.

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**Agency Comments**

In commenting on a draft of this report (see app. III), DOD concurred with GAO's findings and suggested some minor modifications, which GAO has incorporated where appropriate.

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**Contents**

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**Abbreviations**

CENTCOM	Central Command
DOD	Department of Defense
GAO	General Accounting Office
TRANSCOM	U.S. Transportation Command

# Introduction

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Public Laws 101-403 (Oct. 1, 1990) and 101-510 (Nov. 5, 1990)<sup>1</sup> authorized the Secretary of Defense to accept any contribution of money, real or personal property, services, and supplies from any person, foreign government, or international organization. The Department of Defense (DOD) was also required to report to the Congress on contributions of property, services, and supplies, including a description of those items with a value of more than \$1 million. Further, Public Law 101-403 established a special U.S. Treasury account, the Defense Cooperation Account, and required DOD to credit all contributions of money and proceeds from the sale of any property to this account.

The legislation also required us to annually audit the contributions to DOD and report to the Congress. This report presents our findings on contributions that DOD had accepted as of September 30, 1991.

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## Acceptance of Contributions

As of September 30, 1991, DOD had accepted about \$48.7 billion in foreign and private contributions. Foreign governments had contributed about \$43.2 billion in cash and about \$5.6 billion worth of in-kind goods and services, such as equipment and transportation, in support of Operations Desert Shield and Storm. Major contributors were Saudi Arabia, Kuwait, the United Arab Emirates, Japan, Germany, and Korea. Private individuals contributed about \$687,000 in cash donations for Operations Desert Shield and Storm and other DOD needs.

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## Foreign Government Contributions

In August and September 1990, high-level officials from the Departments of State, Defense, and Treasury appealed to the international community to respond to the Iraqi invasion, including to provide support for U.S. military efforts. In response, Saudi Arabia, Kuwait, the United Arab Emirates, Japan, Germany, and Korea pledged about \$9.7 billion in cash and in-kind support to the United States. In early 1991, the United States made a second appeal, and the six allied countries pledged an additional \$44.8 billion.

As we reported in December 1991,<sup>2</sup> the amount pledged for 1991 was subsequently reduced to about \$44.2 billion to reflect a reduction in the

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<sup>1</sup>These laws were the Joint Resolution for Fiscal Year 1991 and the National Defense Authorization Act for Fiscal Year 1991, respectively.

<sup>2</sup>Persian Gulf: Allied Burden Sharing Efforts (GAO/NSIAD-92-71, Dec. 30, 1991).

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1991 Japanese and Korean pledges. Therefore, the total pledges for 1990 and 1991 were revised to about \$54 billion. According to State, Treasury, and DOD officials, these pledges were reduced by \$668 million and \$30 million, respectively, due to a misunderstanding between governments. Specifically, U.S. officials believed that Japan had pledged \$9 billion solely to the United States and that the Korean government had pledged \$385 million solely to the United States. However, the two governments stated that these pledges were for the multinational force.<sup>3</sup>

Due to a decline in the yen, the value of the 1991 Japanese pledge decreased to about \$8.532 billion. Of this amount, \$7.832 billion was initially disbursed to the United States and \$700 million to other countries. Japan contributed an additional \$500 million to the United States to cover post-combat expenses, bringing its total U.S. contribution to \$8.332 billion. Therefore, the U.S. government considered this amount to be the amount pledged. Korea disbursed \$30 million to the United Kingdom; therefore, Korea's pledge was considered to be \$355 million.

The 1990 Japanese pledge was also reduced—from \$1.74 billion to \$1.68 billion. Japan originally pledged \$2 billion for 1990 for the multinational force. According to DOD, Japan initially allocated \$1.9 billion, including \$1.66 billion to the U.S. government and \$240 million to other countries. The remaining \$100 million was held in reserve. Because Japan's initial allocation to the United States represented 80 percent of its total pledge, U.S. officials assumed that the same percentage would be applied to the reserve amount, and therefore, that Japan would allocate \$80 million to the United States. However, Japan allocated only \$20 million to the United States and the remainder to other countries. Therefore, the pledge was considered to be reduced by \$60 million.

As of September 30, 1991, foreign governments contributed about \$49 billion of the \$54 billion they pledged. Table 1.1 shows the breakdown of foreign government pledges and contributions.

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<sup>3</sup>This force was a coalition formed after Iraq invaded Kuwait and included units from the United States and 36 countries.

**Table 1.1: Foreign Government Pledges and Contributions to the United States** (as of September 30, 1991)

Dollars in millions

	Pledges			Contributions		
	1990 <sup>a</sup>	1991 <sup>a</sup>	Total	Cash	In-kind	Total
Saudi Arabia	\$3,339	\$13,500	<b>\$16,839</b>	\$10,052	\$3,876	<b>\$13,928</b>
Kuwait	2,506	13,500	<b>16,006</b>	13,890	37	<b>13,927</b>
United Arab Emirates	1,000	3,088	<b>4,088</b>	3,870	218	<b>4,088</b>
Japan	1,680 <sup>b</sup>	8,332	<b>10,012</b>	9,416 <sup>c</sup>	571	<b>9,987</b>
Germany	1,072	5,500	<b>6,572</b>	5,772 <sup>c</sup>	782	<b>6,554</b>
Korea	80	275 <sup>d</sup>	<b>355</b>	150	69	<b>219</b>
Other <sup>e</sup>	3	23	<b>26</b>	4	22	<b>26</b>
<b>Total</b>	<b>\$9,680</b>	<b>\$44,218</b>	<b>\$53,898</b>	<b>\$43,154</b>	<b>\$5,575</b>	<b>\$48,729</b>

<sup>a</sup>1990 pledges covered August through December 1990; 1991 pledges covered January through March 1991.

<sup>b</sup>As discussed previously, this amount was reduced from \$1.74 billion.

<sup>c</sup>Of these amounts, \$961 million and \$272 million were specified by Japan and Germany, respectively, for transportation expenses.

<sup>d</sup>Includes \$25 million pledged in 1990 but reserved for 1991.

<sup>e</sup>Includes Italy, Oman, Qatar, Bahrain, Denmark, and Luxembourg.

As of April 10, 1992, foreign government contributions had increased to \$53.7 billion. Appendix I provides a breakdown of this total.

## Individual Contributions

As of September 30, 1991, DOD had received about \$687,000 in cash contributions from at least 717 private individuals.<sup>4</sup> Of this amount, about 700 individuals contributed \$517,000, beginning in August 1990, in response to Operations Desert Shield and Storm. The remainder, \$170,000, was contributed prior to August 1990 for DOD's general needs.<sup>5</sup> As of April 10, 1992, individual contributions had increased to \$688,000.

<sup>4</sup>The specific number is unknown because DOD did not have a complete record of the number of contributors.

<sup>5</sup>These funds were transferred from the National Defense Conditional Gift Fund to the Defense Cooperation Account in October 1990. The Fund was a U.S. Treasury account established to accept donations from U.S. citizens for defense purposes.

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## Objectives, Scope, and Methodology

We reviewed contributions of money, property, services, and supplies accepted by DOD as of September 30, 1991. Our objectives were to determine whether DOD had (1) complied with legislative requirements, (2) established adequate controls over the deposit and transfer of cash contributions, and (3) established adequate procedures for tracking and valuing in-kind contributions.

To review cash contributions, we interviewed officials and reviewed documents at the Departments of Defense, State, and Treasury in Washington, D.C.; the Federal Reserve Bank in New York, New York; the U.S. Embassy in Bonn, Germany; and the U.S. Embassy in Tokyo, Japan. We also reviewed a sample of 172 account transactions from a universe of 279 transactions for the fiscal year ending September 30, 1991. To select the sample, we categorized transactions by type and made a stratified random selection that allowed us to project results to the universe of transactions at a 90-percent confidence level, plus or minus 5 percent. Sample transactions included 60 foreign government contributions, 36 individual contributions, 61 securities purchases or sales, and 15 transfers of funds.

To review in-kind contributions, we interviewed officials and reviewed records at the Departments of State, Treasury, and Defense; the World Bank; the Embassy of Japan; the Embassy of Germany in Washington, D.C.; and the U.S. Transportation Command and the U.S. Military Airlift Command at Scott Air Force Base, Illinois. We also interviewed officials and reviewed records at the U.S. Embassy and German Ministry of Defense in Bonn, Germany; the European Command in Stuttgart, Germany; the U.S. Embassy and Japanese Ministry of Foreign Affairs in Tokyo, Japan; the U.S. Embassy and Central Command headquarters in Riyadh, Saudi Arabia; and U.S. military units at other locations in Saudi Arabia.

We conducted our review between October 1990 and November 1991 in accordance with generally accepted government auditing standards.

# Cash Contributions to the Defense Cooperation Account

DOD administered cash contributions to the Defense Cooperation Account in accordance with legislative and accounting requirements. Specifically, it deposited all contributions and earned interest in the account, invested account funds in U.S. securities, and transferred funds to only authorized accounts. Further, DOD processed transactions in an accurate and timely manner and established adequate internal controls.

## Account Activity

Public Law 101-403 required DOD to credit cash contributions to the Defense Cooperation Account, authorized investment of account funds in U.S. securities, and required interest earned to be deposited in the account. The law also required DOD to prescribe regulations governing contributions.

Further, DOD was required to follow various government accounting requirements. For example, the Budget and Accounting Procedures Act of 1950, OMB Circular A-123, and DOD Directive 7040.6 require that DOD establish, document, and operate adequate accounting and internal control systems to safeguard assets against waste and unauthorized use. Internal controls include separation of duties, verification of work, and prompt recording of transactions.

As of September 30, 1991, deposits to the account totaled \$43.6 billion, including \$43.2 billion in foreign and individual contributions and \$400 million in earned interest. Major foreign contributors were Saudi Arabia, Kuwait, the United Arab Emirates, Japan, Germany, and Korea. During fiscal year 1991, in four separate actions, the Congress authorized DOD to transfer up to \$44.5 billion from the account to other DOD accounts and other agencies,<sup>1</sup> primarily for incremental costs<sup>2</sup> of Desert Shield and Desert Storm, as well as for humanitarian relief efforts and military relief societies.

DOD transferred about \$36.1 billion, including about \$35.5 billion to other DOD accounts and \$527 million to other agencies.<sup>3</sup> Of the remaining

<sup>1</sup>Transfer authorities and amounts were: P.L. 101-511 (Nov. 5, 1990)—\$1 billion; P.L. 102-27 (Apr. 10, 1991)—\$655 million; P.L. 102-28 (Apr. 10, 1991)—\$42.6 billion; and P.L. 102-55 (June 13, 1991)—\$251.5 million.

<sup>2</sup>DOD defines incremental costs as additional costs resulting directly from the Persian Gulf crisis that would not have otherwise been incurred.

<sup>3</sup>Figures do not add due to rounding.

**Chapter 2**  
**Cash Contributions to the Defense**  
**Cooperation Account**

deposited funds, about \$7.5 billion reflected the value of Treasury securities and about \$4,000 reflected the cash balance in the account.

Table 2.1 describes the account status as of September 30, 1991.

**Table 2.1: Defense Cooperation**  
**Account: Transaction Summary** (Fiscal  
Year 1991)

Dollars in thousands	
<b>Contributions and income</b>	
Saudi Arabia	\$10,051,551
Kuwait	13,890,000
United Arab Emirates	3,870,000
Japan	9,416,318
Germany	5,771,762
Korea	150,000
Other countries	4,058
<b>Subtotal</b>	<b>\$43,153,689</b>
Individual contributions	687
Interest income	415,343
<b>Total contributions and income</b>	<b>\$43,569,719</b>
<b>Transfers to U.S. agencies</b>	
Appropriation transfers	
Department of Defense	
Operations and maintenance	\$24,064,454
Military personnel	5,822,440
Procurement	5,277,850
Military construction	35,000
Research, development, and testing	69,100
Stock funds	271,000
<b>Subtotal</b>	<b>\$35,539,844</b>
State Department	168,500
Executive Office of the President	67,000
Relief societies	16,000
U.S. Coast Guard	18,922
Department of Education	4,396
Department of Veterans Affairs	251,966
<b>Total transfers</b>	<b>\$36,086,628</b>
<b>Fund balance</b>	
Securities investments	\$7,503,087
Cash balance	4
<b>Total fund balance as of September 30, 1991</b>	<b>\$7,503,091</b>

## Compliance With Legislative Requirements

DOD complied with legislative requirements for depositing, investing, and transferring account funds. For example, DOD established adequate procedures to deposit contributions in the account. As of September 30, 1991, DOD reported 167 deposits to the account, including 60 for foreign contributions and 107 for individual contributions. Our review of 96 transactions<sup>4</sup> showed that foreign governments transferred funds by wire and individual contributors sent checks directly to DOD and U.S. embassies. Foreign government contributions made in local currency were wired to an account at the Federal Reserve Bank of New York, converted to U.S. dollars, and deposited in the account. Foreign government contributions made in U.S. dollars were wired directly to the account. DOD and the embassies deposited individual checks into the account at local banks, and the banks converted checks made in local currency to U.S. dollars.

Further, DOD invested funds in U.S. securities and deposited interest earned on these investments to the account. As of September 30, 1991, DOD processed 97 securities transactions, including purchases and sales. Our review of 61 transactions showed that, at DOD's request, Treasury invested the related funds in short-term U.S. securities and, as needed, sold the securities to fund authorized transfers from the account. In each case, the principal and interest were deposited to the account.

DOD also transferred funds from the account in accordance with congressional action. Our review confirmed that, as of September 30, 1991, DOD had transferred about \$36.1 billion from the account to only authorized accounts, including about \$35.5 billion to DOD accounts and \$527 million to other agencies.<sup>5</sup> The Congress specified that funds transferred to DOD accounts were to be used for incremental costs of Operations Desert Shield/Storm. Transferred funds were deposited in those accounts that DOD used to fund such costs. However, we were not able to confirm the specific application of these funds to incremental costs, because, as we reported in September 1991, DOD's financial systems lack the capability to determine these costs with reliability.<sup>6</sup>

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<sup>4</sup>We reviewed all 60 foreign government contribution deposits and a random sample of 36 individual contribution deposits.

<sup>5</sup>Figures do not add due to rounding.

<sup>6</sup>Operation Desert Shield/Storm: Costs and Funding Requirements (GAO/NSIAD-91-304, Sept. 24, 1991).



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**Compliance With Accounting Requirements**

DOD administered the account in accordance with government accounting requirements. For example, DOD adequately documented and processed foreign government contributions to the account. Foreign governments made 49 contributions directly to the account in U.S. dollars. Our examination of bank messages and Treasury deposit tickets confirmed the receipt and deposit of these contributions as reported by DOD. The governments also made 11 contributions in their local currencies. DOD, the Federal Reserve Bank of New York, and the Treasury Department converted these contributions to U.S. dollars in a timely manner, accurately calculated exchange and interest rates, adequately documented the transactions, and promptly reported results. Our review also showed that DOD processed and documented individual contributions in a timely and accurate manner.

Further, DOD properly administered securities investments, including arranging with Treasury for timely purchases and sales and accurately reporting and depositing earned interest to the account. For example, our review of 61 transactions showed that DOD invested account funds within 1 to 2 days of receipt, adequately documented each transaction, and verified Treasury's calculation of earned interest credited to the account.

In addition, DOD established adequate internal controls for administering the account. For example, DOD personnel limited access to the computers maintaining the account through use of passwords, verified one another's computer input for accuracy and timeliness, and compared internal DOD records with monthly Treasury statements on security holdings to ensure reporting accuracy. DOD also developed and documented standard operating procedures for the account, including guidelines for accepting and depositing contributions and maintaining financial records.

# In-kind Contributions to the Department of Defense

In accordance with legislative requirements, DOD established procedures to track, report, and value in-kind contributions. DOD also prepared required reports on contribution quantities and value. We detected some inaccuracies in certain reports, and DOD corrected or plans to correct these discrepancies. DOD developed a methodology for valuing contributions, but experienced some difficulties because cost data from contributing countries was not always available. In these cases, DOD estimated the value using standard U.S. cost factors and other information. As a result, the estimated value may differ from the actual cost incurred by the contributor.

## Legislative Requirements and Acceptance of In-kind Contributions

Public Laws 101-403 and 101-510 authorized DOD to accept contributions of real or personal property, supplies, and services and to use such items without specific authorization in any program, project, or activity except in a manner that would result in the violation of any applicable prohibition or limitation. The legislation also required DOD to prescribe regulations governing contributions and to periodically report on contributions of property, supplies, and services, including a description of those items valued at more than \$1 million. In computing the value, DOD was to aggregate the value of similar items and components that, if assembled, would comprise all or a substantial part of an item of equipment or a facility.

As of September 30, 1991, DOD had accepted in-kind contributions of property, goods, and services valued at about \$5.6 billion. These contributions were made by foreign governments in support of Operations Desert Shield/Storm. Major in-kind contributors were Saudi Arabia, United Arab Emirates, Kuwait, Japan, Germany, and Korea. Table 3.1 summarizes the value and type of in-kind support contributed to DOD. Appendix II describes the major contributions in more detail.

**Chapter 3  
In-kind Contributions to the Department of  
Defense**

**Table 3.1: In-kind Contributions to DOD**  
(Fiscal Year 1991)

Dollars in millions

<b>Contributor</b>	<b>Value</b>	<b>Type</b>
Saudi Arabia	\$3,876	Fuel, food, water, transportation, and facilities
United Arab Emirates	218	Fuel, food, water, security services, construction equipment, and civilian labor
Kuwait	37	Fuel, airlift, and sealift
Japan	571	Construction and engineering support, vehicles, computer and medical equipment, airlift, and sealift
Germany	782	Cargo, water and chemical detection vehicles, protective masks, radios, and generators
Korea	69	Airlift and sealift
Other <sup>a</sup>	22	Food, water, supplies, oil, and transportation
<b>Total</b>	<b>\$5,575</b>	

<sup>a</sup>Includes Bahrain, Denmark, Luxembourg, Oman, and Qatar.

**Tracking and Reporting of  
In-kind Contributions**

In accordance with legislative requirements, DOD established procedures for administering in-kind contributions. DOD designated the U.S. Transportation Command (TRANSCOM) at Scott Air Force Base in the United States to track airlift and sealift contributions and the U.S. Central Command (CENTCOM) headquarters in Saudi Arabia to track goods and services. These commands matched foreign offers with DOD requirements and arranged deliveries, with assistance from other commands, including the U.S. Military Airlift Command, U.S. Military Sealift Command, U.S. Forces Japan, the European Command, and U.S. Forces Korea.

DOD required TRANSCOM and CENTCOM to record the receipt of in-kind contributions and report on the status of such receipts. Further, DOD directed that goods accepted as gifts were to become U.S. government property and controlled in accordance with DOD property record regulations. TRANSCOM relied on the U.S. Military Airlift Command, U.S. Military Sealift Command, U.S. Forces Korea, and U.S. Forces Japan to track the number of donated airlift and sealift missions. Using this information, TRANSCOM prepared and submitted monthly reports to DOD.

CENTCOM required reporting units to maintain records and report in-kind contributions on a monthly basis. CENTCOM headquarters and Army, Air Force, Marine Corps, and Navy units in Saudi Arabia and other Persian Gulf locations maintained records and reported monthly on the quantities and types of food, fuel, water, equipment, vehicles, and other donated items. Their records included daily logs reflecting the number of meal recipients,

fuel consumption reports, and shipping documents for equipment deliveries. Using information submitted monthly by the units, CENTCOM prepared and submitted monthly reports to DOD.

We reviewed CENTCOM's reports and records on in-kind contributions and found that they reflected the quantities and value of donated goods and services. However, we found some inaccuracies. For example, from March to June 1991, CENTCOM reported the cumulative value of equipment that Germany sent to Saudi Arabia as \$547 million; however, this figure overstated the value of certain heavy transport tractors and maintenance trucks by about \$44 million. Also, the Army's March 1991 report credited \$9.5 million to Saudi Arabia for refrigerator vans that CENTCOM had leased. Further, the Marine Corps' reports for December 1990 through February 1991 understated Saudi support by about \$432,000, including \$400,000 for water and \$32,000 for medical services. To correct these discrepancies, CENTCOM adjusted the reported values for the water and medical services, as well as for the German equipment, in its May and August 1991 reports, respectively. CENTCOM adjusted the value for the refrigerator vans in its February 1992 report.

In accordance with legislative requirements, DOD reported to the Congress on the status of in-kind contributions. These reports, submitted monthly, were based on the information compiled by TRANSCOM and CENTCOM. Each report provided the cumulative value of all contributions of property, services, and supplies, including those contributions with a value of more than \$1 million. As necessary, DOD adjusted the reported values each month to reflect corrections and additions to prior reports.

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### **Valuation of In-kind Support**

In accordance with legislative requirements, DOD developed a methodology for valuing in-kind contributions that aggregated items and components of similar value. Specifically, TRANSCOM grouped and valued in-kind transportation contributions in two categories—airlift and sealift. CENTCOM identified 29 categories of in-kind goods and services and required the units to value and report contributions accordingly.

To value in-kind contributions, TRANSCOM and CENTCOM relied on information provided by the contributing country or, if such data was not available, they estimated the value. As of September 30, 1991, about \$3.9 billion, or 70 percent, of the \$5.6 billion in in-kind contributions was based solely on estimates. These estimates pertained to airlift and sealift

provided by Kuwait and goods and services provided by Saudi Arabia and Kuwait.

Most of the \$3.9 billion estimate reflected the value assigned to the Saudi in-kind contribution. CENTCOM did not have access to data on costs incurred by the Saudi government to make its contribution. Therefore, Command officials estimated the value of donated goods and services using information such as data provided verbally from local suppliers, prices paid under previously held U.S. contracts, or standard U.S. cost factors. For example, they used a standard price of \$1.08 per gallon to value jet, diesel, and motor fuel based on the average price paid by DOD in September 1990 for jet fuel. The actual amount paid by the Saudi government was unknown. Appendix II provides additional information on the valuation of in-kind contributions.

CENTCOM officials experienced difficulties in estimating the value of the Saudi contribution because some items did not lend themselves to a straightforward valuation. For example, the Saudi government provided utilities, such as water, telephone service, and electricity, at facilities occupied by U.S. units. In the absence of the actual bill presented to the government by the utility company, CENTCOM officials applied their judgment in estimating the water and electricity rates, and the standard charge per minute of telephone usage, but had no way of validating their estimates. As a result, CENTCOM's estimates of Saudi contributions may differ from the actual cost incurred by the Saudi government.

# Foreign Government and Individual Contributions to the Department of Defense

As of April 10, 1992, contributions to the Department of Defense (DOD) totaled about \$53.7 billion, of \$53.9 billion pledged, from foreign governments and \$688,000 from individual contributors. (See table I.1 for a breakdown of the foreign government pledges and contributions.)

**Table I.1: Foreign Government Pledges and Contributions**

Dollars in millions

Contributor	Pledges			Contributions			Future receipts	Percent of pledge met
	1990 <sup>a</sup>	1991 <sup>a</sup>	Total	Cash <sup>b</sup>	In-kind <sup>b</sup>	Total		
Saudi Arabia	\$3,339	\$13,500	<b>\$16,839</b>	\$12,809	\$4,030	<b>\$16,839</b>	0	100
Kuwait	2,506	13,500	<b>16,006</b>	16,015	43	<b>16,058</b>	0	100
United Arab Emirates	1,000	3,088	<b>4,088</b>	3,870	218	<b>4,088</b>	0	100
Japan	1,680 <sup>c</sup>	8,332	<b>10,012</b>	9,441 <sup>d</sup>	571	<b>10,012</b>	1 <sup>e</sup>	99
Germany	1,072	5,500	<b>6,572</b>	5,772 <sup>d</sup>	683	<b>6,455</b>	<sup>f</sup>	<sup>f</sup>
Korea	80	275 <sup>g</sup>	<b>355</b>	150	101	<b>251</b>	104	71
Other <sup>h</sup>	3	23	<b>26</b>	7	22	<b>29</b>	0	100
<b>Total</b>	<b>\$9,680</b>	<b>\$44,218</b>	<b>\$53,898</b>	<b>\$48,064</b>	<b>\$5,668</b>	<b>\$53,732</b>	<b>\$105</b>	<b>99</b>

<sup>a</sup>1990 pledges covered August through December 1990; 1991 pledges covered January through March 1991.

<sup>b</sup>Cash contributions are as of April 10, 1992. Contributions of in-kind support are as of March 31, 1992.

<sup>c</sup>As discussed in chapter 1, this amount was reduced from \$1.74 billion.

<sup>d</sup>Of these amounts, \$961 million and \$272 million were specified by Japan and Germany, respectively, for transportation expenses.

<sup>e</sup>Total pledge amount equals total contributions amount due to rounding; however, a balance of \$1 million remains.

<sup>f</sup>The amount contributed is less than pledged, however; according to DOD, Germany has fulfilled its commitment because it made available ammunition valued at over \$200 million that DOD chose not to accept due to termination of the war.

<sup>g</sup>Includes \$25 million pledged in 1990 but reserved for 1991.

<sup>h</sup>Includes Italy, Oman, Qatar, Bahrain, Belgium, Denmark, Norway, and Luxembourg.

Of the \$105 million in future receipts, DOD expects to receive \$1 million in cash from Japan. Korea has a remaining balance of \$104 million against its 1991 pledge of \$275 million—\$100 million in cash and \$175 million in in-kind support. As of November 1991, Korea had met the cash portion and, as of December 31, 1991, it had provided lift and material valued at \$70 million. Korea offered additional lift and material; however, DOD did not have requirements for it. DOD and the Korean government are discussing options to satisfy the pledge balance.

# In-kind Contributions to the Department of Defense

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As of September 30, 1991,<sup>1</sup> DOD reported receipts of in-kind contributions valued at about \$5.6 billion. Major contributors were Saudi Arabia, Japan, Germany, Kuwait, Korea, and the United Arab Emirates.

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## Saudi Arabia

In 1990 and 1991, Saudi Arabia pledged a total of \$16.8 billion in cash and in-kind support to the United States, including about \$3.3 billion for 1990<sup>2</sup> and \$13.5 billion for 1991. In November 1990, Central Command (CENTCOM) and Saudi government officials signed a logistics implementation agreement that outlined in-kind support for deployed U.S. forces. The Saudi government agreed to provide food, fuel, water, facilities, and transportation to U.S. forces in Saudi Arabia and its surrounding waters.<sup>3</sup>

As of September 30, 1991, DOD reported receipts of in-kind support from Saudi Arabia valued at about \$3.9 billion. This support included supplemental rations, bottled water, jet and diesel fuel, buses, trucks, and office space. CENTCOM officials were generally pleased with the quantity and quality of Saudi support. Although the Saudi government was unable to respond to every request due to the magnitude of U.S. requirements, CENTCOM officials believed that the government provided essential support that gave CENTCOM commanders additional flexibility and contributed significantly to the operation.

The reported value of Saudi in-kind support was based on CENTCOM's estimate of costs incurred because actual cost data was not available. CENTCOM developed monthly estimates for each support category by using data such as verbal information from local suppliers regarding payments from the Saudi government, price paid under prior U.S. contracts with local suppliers, or standard U.S. cost factors for similar goods or services. For example, CENTCOM applied a standard cost of \$1.08 per gallon to value fuel based on the average price that DOD paid for jet fuel in September 1990. It also applied a cost of \$16 per daily ration based on verbal

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<sup>1</sup>This date reflected the closing date of our annual audit. Appendix I describes contributions received as of April 10, 1992.

<sup>2</sup>The Saudi government initially made an open-ended pledge for 1990. DOD later estimated the pledge amount at about \$3.3 billion by calculating the sum of in-kind support provided through December 1990 and the reimbursements due for certain costs it had incurred.

<sup>3</sup>The Saudi government also agreed to reimburse the U.S. government for certain expenses, including the value of stocks issued from stateside depots and payments made by CENTCOM to local suppliers.

information from the food supplier contracted by the Saudi government. The exact amount that the Saudi government paid for food and fuel was unknown.

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## Germany

The German government pledged a total of about \$6.6 billion, including about \$1.1 billion in cash and in-kind support for 1990 and \$5.5 billion in cash for 1991. As of September 30, 1991, Germany had contributed in-kind support valued at about \$782 million, including \$681 million for material and \$33 million for air transportation support. This value was based on estimated and actual cost data provided by the German government.<sup>4</sup> The remaining \$68 million was a preliminary U.S. estimate of transportation support and the value of weapon systems provided as part of Germany's material support.<sup>5</sup>

Germany's material support consisted of chemical detection vehicles, cargo and fuel trucks, ammunition, generators, and other items such as protective face masks and shipping containers. Most of these items were shipped to U.S. forces in Saudi Arabia during January 1991 and February 1991.<sup>6</sup> (See table II.1.) Transportation support included six C-160 cargo air support missions flown by the German Air Force within Europe to replace U.S. planes needed for other missions.

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<sup>4</sup>The material included items from the former East German army. Because German officials did not have information on manufacturing costs or market value, they estimated the value, allowing for depreciation depending on the age and condition of the items.

<sup>5</sup>In December 1991, DOD revised the value, after reviewing the estimate, to \$683.2 million, including \$662 million for material and \$21 million for transportation.

<sup>6</sup>Items were shipped on 10 ships; however, two ships carrying equipment valued at about \$39 million did not arrive—one broke down and its cargo was unloaded in Greece and the other was en route when hostilities ended and was rerouted to Italy.



**Appendix II  
In-kind Contributions to the Department of  
Defense**

**Table II.1: German In-kind Support**

<b>Item</b>	<b>Quantity</b>	<b>Value</b>
Heavy equipment transport trucks	342	\$47,392,155
Fuel trucks	248	57,078,431
Cargo trucks	457	66,803,920
Other trucks	307	24,895,424
Heavy equipment transport trailers	189	9,264,706
Other trailers	1,171	34,444,444
Chemical detection vehicles	60	137,200,000
Ambulances	107	6,225,490
Passenger vans	155	5,643,791
Generators	330	4,336,601
Construction equipment	298	46,480,392
Medical equipment and supplies	<sup>a</sup>	370,654
Air transport material	<sup>a</sup>	9,150,327
Containers	725	5,689,542
Portable showers	604	49,346,405
Hand-held radios	2,000	7,843,137
Chemical protective masks	25,000	3,594,771
Ammunition (120 mm rounds)	32,250	51,633,986
Weapon systems		102,576,471 <sup>b</sup>
Miscellaneous items <sup>c</sup>	65,925	11,193,565
<b>Total</b>		<b>\$681,164,212</b>

<sup>a</sup>Data not available.

<sup>b</sup>This figure was a preliminary estimate. In December 1991, DOD reduced the amount to \$83.7 million to reflect the actual value.

<sup>c</sup>Includes sandbags, water cans, cots, and tarpaulin.

According to CENTCOM officials, most of the German equipment performed adequately and was useful to U.S. troops. CENTCOM officials were especially pleased with chemical detection vehicles, cargo trucks, and ambulances. U.S. Army units experienced operational and maintenance problems with some of the former East German heavy transport vehicles because some arrived in poor condition and the personnel trained to operate and maintain the items were reassigned to other duties.

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## **Japan**

In 1990 and 1991, the Japanese government pledged a total of about \$10 billion, including about \$1.7 billion in cash and in-kind support for 1990 and \$8.3 billion in cash for 1991. As discussed in chapter 1, U.S. officials initially believed that Japan had pledged \$1.74 billion for 1990 and \$9 billion for 1991; however, these pledges were reduced to \$1.68 billion and \$8.3 billion, respectively.

As of September 30, 1991, the Japanese government had contributed in-kind support valued at about \$571 million, including \$489 million for material and services and \$82 million for transportation support. This value was calculated by the Japanese government based on the cost of contracts negotiated with suppliers.

The Japanese government provided various types of equipment, vehicles, and construction materials and services.<sup>7</sup> (See table II.2.) Most of the equipment and vehicles were delivered between September 1990 and May 1991 to U.S. Army and Air Force units located in Saudi Arabia. Items not delivered by the time that the war had ended were sent to U.S. stateside installations.

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<sup>7</sup>The Japanese government contracted with suppliers in the United States, Japan, Saudi Arabia, Bahrain, and the United Arab Emirates. Using data provided by Japan to DOD, we estimated that about 73.5 percent of the value shown in table I.1 reflected items from American suppliers, 10.8 percent from Japanese suppliers, and 15.7 percent from other foreign suppliers.

**Appendix II  
In-kind Contributions to the Department of  
Defense**

**Table II.2: Japanese In-kind Support**

<b>Description</b>	<b>Quantity</b>	<b>Value</b>
Passenger vehicles	2,349	\$54,691,957
Water and refrigeration trucks	125	11,412,711
Fuel trucks	94	9,807,775
Medical equipment	<sup>a</sup>	32,286,155
Televisions and video recorders	6,874	5,456,242
Stereos and radios	2,500	615,789
Saber two-way radios	1,840	10,048,040
Communication equipment	<sup>a</sup>	22,333,334
Navigation equipment	168	2,077,154
Computers and computer support	3,621	57,993,934
Office equipment	177	11,171,762
Pallets and cargo nets	50,000	42,660,112
Construction materials and services	122	169,284,321
Construction equipment	77	37,768,775
Forklifts	170	4,293,159
Desalination plants	2	2,414,973
Temporary buildings	<sup>a</sup>	6,890,400
Cots	44,998	3,609,475
Other <sup>b</sup>	441	4,274,435
<b>Total</b>		<b>\$489,090,504</b>

<sup>a</sup>Data not available.

<sup>b</sup>Includes appliances, water tanks, and food preparation equipment.

CENTCOM officials praised the quality and timely delivery of the Japanese-funded items. For example, the fuel trucks provided units with resupply and storage capability. Also, Air Force units used the computers for planning. CENTCOM officials also stated that the Japanese construction support enabled facilities, such as base camps and helicopter landing pads, to be built quickly during deployment.

Japan also provided transportation support, valued at about \$82 million, to transport nonlethal equipment and supplies to Saudi Arabia and other Persian Gulf countries. The Japanese government chartered aircraft and ships from American, Japanese, and Dutch companies. From September 1990 to March 1991, 129 missions were completed, including 119 airlift missions and about 10 sealift missions.

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## **United Arab Emirates**

The United Arab Emirates pledged a total of \$4 billion, including \$1 billion in cash and in-kind support for 1990 and \$3 billion in cash plus an unspecified amount of in-kind support for 1991. As of September 30, 1991, the United Arab Emirates had provided support valued at about \$218 million, including fuel, food, water, air base and port services, transportation, utilities, and security services. The value was based on a combination of DOD estimates and actual cost data from the United Arab Emirates.

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## **Korea**

The Korean government pledged about \$355 million, including \$80 million for 1990 and \$275 million for 1991. Of the 1990 pledge, \$50 million was allocated in cash and \$30 million in in-kind support. As discussed in chapter 1, U.S. officials initially believed that Korea had pledged \$305 million for 1991 exclusively to the United States, but this pledge was subsequently reduced to \$275 million (\$100 million in cash and \$175 million in in-kind material and lift) to reflect disbursements to other countries. As of September 30, 1991, Korea had contributed in-kind support valued at about \$69 million based on actual contract costs. This support consisted of 89 airlift missions and 9 sealift missions, from September 1990 to July 1991, to transport U.S. items to the Persian Gulf.

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## **Kuwait**

Kuwait pledged about \$16 billion in cash and agreed to provide an unspecified amount of in-kind support. As of September 30, 1991, Kuwait had provided in-kind support valued at \$37 million, including \$32.3 million for airlift and sealift support, from September 1990 to July 1991, and \$5 million for support to U.S. forces located in Kuwait after the war ended. DOD estimated the value of this support using standard U.S. cost factors. For example, the value of airlift and sealift was based on rates that U.S. airlift and sealift commands charged for similar missions.

# Comments From the Department of Defense



COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

APR 07 1992

Mr. Frank C. Conahan  
Assistant Comptroller General  
National Security and International  
Affairs Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "OPERATIONS DESERT SHIELD/STORM: Foreign Government and Individual Contributions to the Department of Defense," dated March 2, 1992 (GAO Code 463801/OSD Case 8787-A).

The DoD reviewed the draft and agrees with the report findings and conclusions. A few minor factual clarifications were provided separately to your organization. The Department appreciates the opportunity to comment on the draft.

Cordially,

  
Sean O'Keefe

# Major Contributors to This Report

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**National Security and  
International Affairs  
Division,  
Washington, D.C.**

**Thomas J. Schulz, Associate Director  
Stewart L. Tomlinson, Assistant Director  
Sharon L. Pickup, Evaluator-in-Charge  
Barbara A. Chiapella, Evaluator  
B. Patrick Hickey, Evaluator  
Jose M. Pena, Evaluator**

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**European Office**

**George A. Taylor, Evaluator**

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