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REPORT TO
THE CONGRESS OF THE UNITED STATES

REVIEW OF
THE MILITARY ASSISTANCE PROGRAM
FOR
IRAN

B-133134

This material contains information affecting the national defense of the United States within the meaning of the espionage laws, Title 18, U.S.C., Secs. 793 and 794, as respectively amended, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.



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BY

THE COMPTROLLER GENERAL OF THE UNITED STATES

JANUARY 1959

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

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JAN 9 1959

Honorable Sam Rayburn
Speaker of the House of Representatives

Dear Mr. Speaker:

Enclosed is our report on the Military Assistance Program for Iran as administered by the United States Military Assistance Advisory Group (MAAG) to Iran. This report is one of a group on the military assistance program.
(UNCLASSIFIED)

We believe that the findings presented in our report demonstrate that management procedures, practices, and controls have been inadequate for the development of military assistance programs on an austere basis of real military need. MAAG/Iran developed program requirements for Iran without complete knowledge of the equipment already possessed by Iranian forces and without sufficient attention being given to known deficiencies in Iran's capability to use the equipment on hand and to be furnished. Reviews by the United States European Command (EUCOM), the military departments, and the Assistant Secretary of Defense for International Security Affairs (ISA) have not been effective in preventing the delivery of materiel that is excess to Iranian requirements or that cannot be used effectively by the Iranian armed forces. During a supplemental review we noted that the MAAG had improved its programming techniques and had corrected many of the deficiencies brought to its attention during our initial review.
(~~SECRET~~) UNCLASSIFIED

Since our review the United States has taken action to accelerate the delivery of materiel previously programmed for Iran in order to increase the military capabilities of Iran in the shortest practicable time. EUCOM has reported that the possibility exists that Iran may not be able to absorb these accelerated shipments. We have been advised by ISA that since our review the United States has given assurances to Iran that deliveries from previously programmed aid would be accelerated, that certain modernization would be undertaken, and that the training program for Iranian forces would be greatly enlarged in order to provide those forces with a better future capability for assimilating additional equipment.
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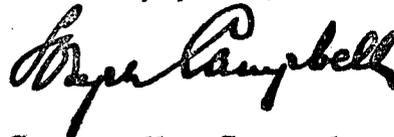
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We have been informed also by ISA that it is a United States objective to encourage Iran as a vital member of the Baghdad Pact and a strong supporter of United States foreign policy and that, to achieve these objectives, the United States must make a contribution that is substantial and, at times, not restricted to specific conditions that would be considered fully desirable from a military and management viewpoint. (~~SECRET~~)

A copy of this report is being sent today to the President of the Senate. (UNCLASSIFIED)

Sincerely yours,



Comptroller General
of the United States

Enclosure

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REPORT ON REVIEW

OF THE

MILITARY ASSISTANCE PROGRAM

FOR

IRAN

The General Accounting Office has reviewed the Military Assistance Program (MAP) for Iran as administered by the Military Assistance Advisory Group (MAAG), Iran. Our review was made pursuant to the provisions of the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67) and consisted of an initial examination in November 1957 and a supplemental examination in July 1958. This is one of a group of reports on the military assistance program. The organization and management and the financing of this program were discussed in our over-all report which was transmitted to the Congress on August 29, 1957. (UNCLASSIFIED)

INTRODUCTION

The objective of the Military Assistance Program for Iran, as stated in the fiscal year 1959 program estimates presented to the Congress and the Department of Defense military assistance programming guidance, is to assist in the development of armed forces which have the capability to maintain internal security and to resist external aggression by defensive delaying action. We have been informed by the Department of Defense that it is also a United States objective to encourage Iran as a vital member of the Baghdad Pact and a strong supporter of United States foreign policy

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and that, to achieve these objectives, the United States must make a contribution that is substantial and, at times, not restricted to specific conditions that would be considered fully desirable from a military and management viewpoint. (~~SECRET~~) UNCLASSIFIED

The cumulative dollar value of military assistance programed for Iran, as reported in the 1959 budget estimates, was \$214.3 million through June 30, 1957. An additional \$97.1 million has been programed in fiscal year 1958 and \$50.9 million was estimated to be programed in fiscal year 1959. (~~SECRET~~) UNCLASSIFIED

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SCOPE OF REVIEW

Our review of the Military Assistance Program (MAP) for Iran was directed toward examining management controls within the Department of Defense, including procedures, records, reports, and internal reviews for developing and carrying out the MAP in accordance with established United States policies and objectives.

(UNCLASSIFIED)

We reviewed at MAAG/Iran and at higher levels activity relating to (1) the development of requirements, particularly for fiscal year 1959 programs, for the build-up, modernization, and maintenance of approved Iranian forces, (2) the delivery of military end items, and (3) the degree of utilization achieved by the country forces equipped under the military assistance program. No attempt was made to evaluate technical or strategic matters.

(UNCLASSIFIED)

We examined selected transactions and made such other tests as we deemed appropriate to enable us to consider the adequacy and effectiveness of the management controls. (UNCLASSIFIED)

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SUMMARY OF FINDINGS

Our initial examination in November 1957 disclosed significant weaknesses in the administration of the Military Assistance Program for Iran. MAAG/Iran had developed program requirements for Iran without complete knowledge of the equipment already possessed by Iranian forces and without sufficient attention being given to known deficiencies in Iran's capability to use the equipment on hand and to be furnished. Since the United States European Command (EUCOM) in some instances questioned the validity of our initial findings or the need for corrective action, we conducted a supplemental review in Iran in July 1958. We were pleased to note during this review that MAAG/Iran had improved its programing techniques and corrected many of the deficiencies brought to its attention during our initial review. (~~SECRET~~)

We believe that the conditions disclosed by our initial review demonstrate the need for a thorough and continuous internal review of the military assistance program. The Department of Defense has established a comprehensive internal audit for the military assistance program as recommended by us in our over-all report on the military assistance program which was transmitted to the Congress on August 29, 1957. (UNCLASSIFIED)

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OVERSTATEMENT OF EQUIPMENT REQUIREMENT

At the time of our initial review, equipment had been programmed and was being delivered in excess of Iranian needs because of deficiencies in the MAAG's programming procedures. Program requirements had been developed without satisfactory knowledge of the quantities or condition of equipment assets already available in Iran to meet equipment deficiencies. MAAG/Iran's program submission included requirements that had been previously filled either with deliveries under the military assistance program or with supplies secured before inception of the program even though Iran had not indicated that the equipment previously delivered had been used up and was not available to meet current needs. During our supplemental review we noted that the MAAG had improved its programming techniques and had corrected many of the deficiencies disclosed during our initial review. However, we believe that more aggressive action at all levels of command would have prevented the delivery of certain equipment excesses. (UNCLASSIFIED) (See p. 12.)

OVERSTATEMENT OF SPARE PARTS REQUIREMENTS

Spare parts requirements were computed on the assumption that equipment would be fully utilized despite known deficiencies in Iran's capability to fully utilize equipment on hand. Spare parts requirement computations based on erroneous assumptions result in the reservation of MAP funds which may be expended unnecessarily by MAP recipients for unneeded spares or which otherwise could be used to provide for higher priority mutual defense needs. After

our initial review the MAAG reduced Iranian spare parts requirements in recognition of the limited utilization being made of MAP-delivered equipment. (UNCLASSIFIED) (See p. 20.)

INCOMPLETE SUPPORT FOR PROGRAM REQUIREMENTS

MAAG/Iran's program requirement submissions were inaccurate because the gross materiel requirements as shown in the program submission differed substantially from the requirements listed in supporting Iranian tables of organization and equipment. After our initial review, MAAG/Iran prepared a reconciliation and as a result revised its program submission. (UNCLASSIFIED) (See p.22.)

LACK OF UTILIZATION OF AID

Equipment has been delivered and facilities have been furnished which cannot be effectively used by Iran because the MAAG, in formulating program requirements, has given insufficient attention to the major deficiencies which reportedly existed in the Iranian armed forces and which appeared to adversely affect their ability to absorb, maintain, and utilize the equipment to be furnished. We have been informed by ISA that since our review the United States has decided to accelerate equipment deliveries to Iran and to enlarge the training program for Iranian forces.

(~~SECRET~~) (See p. 24.) UNCLASSIFIED

ACCELERATED DELIVERIES OF MATERIEL

Since our review in Iran, the United States has taken action to accelerate the delivery of materiel previously programed for Iran in order to increase the military capabilities of Iran in the shortest practicable time. EUCOM has reported that the possibility

exists that Iran may not be able to absorb these accelerated shipments. We have been advised by ISA that the United States has given assurances to Iran that deliveries would be accelerated and that more extensive training would be undertaken to provide the Iranian forces with a better future capability for assimilating additional equipment. (~~SECRET~~) (See p. 28.)

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UNSATISFACTORY PROCEDURES FOR
INSPECTING DELIVERED MAP EQUIPMENT

MAAG/Iran has not carried out in a satisfactory manner its responsibilities for supervising the utilization of equipment supplied to the Iranian Army. At the time of our review the MAAG did not have complete knowledge of the quantity or condition of equipment for the Iranian Army furnished under the military assistance program, had no formal program for checking the utilization of this equipment, and had not established standards in relation to which it could evaluate the effectiveness of the utilization of such equipment. We are recommending that the MAAG establish standards defining the usage expected of MAP-furnished equipment and place increased emphasis on end-use inspection of delivered MAP equipment. (UNCLASSIFIED) (See p. 29.)

FAILURE TO USE MAP-FURNISHED PREFABRICATED
WAREHOUSES AND BARRACKS

The MAAG programed the construction of new warehouses and barracks without using about \$1 million worth of prefabricated buildings which had been previously furnished under MAP, had been on hand since delivery in the summer of 1956, and were deteriorating because of storage in the open. (UNCLASSIFIED) (See p. 32.)

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INADEQUATE CONTROL OVER SALVAGE AND SCRAP SALES OF MAP PROPERTY

The MAAG has not controlled the salvage and scrap sales of MAP property and does not know the extent to which Iran had salvaged MAP property and disposed of such property by sale. We are recommending that arrangements be made with Iranian authorities to establish a reporting procedure to assure that attrited and salvaged equipment and sales of scrap are handled in a manner which is subject to MAAG control. (UNCLASSIFIED) (See p. 34.)

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BACKGROUND

MAAG/Iran is an element of the United States Country Team in Iran which is headed by the Ambassador. The head of the Country Team is responsible for coordinating the activities of all United States agencies in the country and for assuring the unified development and execution of economic and military aid programs.

(UNCLASSIFIED)

In addition to the MAAG, the United States has two other military missions in Iran under separate bilateral agreements. The United States Military Mission with the Imperial Iranian Army (ARMISH) was concerned initially with lend-lease assistance. The first officers representing ARMISH arrived in Iran in October 1942. A formal contract specifying ARMISH organization and mission was signed between the two governments in November 1943. A revised contract was executed October 6, 1947, and has been periodically extended since then. The assigned mission of ARMISH is to advise and assist the Iranian Minister of War, the Supreme Commander's Staff (Joint Staff), and the commanders and staffs of the Army, Navy, and Air Force in matters pertaining to plans, organization, administration, and training. Members of ARMISH have neither command nor operating staff responsibility in the Iranian Army but may make such official inspections and investigations as may be necessary for performance of their duties. For operational purposes, this mission and the MAAG have been consolidated under one chief since September 1954. (~~SECRET~~) UNCLASSIFIED

The United States Military Mission with the Imperial Iranian Gendarmerie (GENMISH) was formalized by contract in November 1943

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and has been revised or extended periodically since then. The assigned mission of GENMISH is to advise and assist the Minister of the Interior in improving the organization and operations of the Imperial Iranian Gendarmerie. Primary objectives are to achieve high standards of efficiency, promote prestige and public esteem, and develop military potential to reinforce the Iranian Army in national emergencies. GENMISH is a unified service organization reporting directly to the Department of the Army and is under the supervision of the MAAG chief only for MAP matters. (~~SECRET~~)

In order that the findings and recommendations ~~UNCLASSIFIED~~ herein can be considered in conjunction with conditions that were not within the scope of our review, but which were considered pertinent by responsible United States officials charged with the administration and technical evaluation of the program, certain views expressed by these officials are summarized below. (UNCLASSIFIED)

Responsible United States officials have pointed out that the Iranian armed forces, for which the previously stated level of military assistance has been furnished (see p. 2), are generally capable of maintaining internal security and preserving the present government in power. They state that the Iranian Army has an extremely limited capability to present any effective resistance to external aggression by a major power and is totally incapable of sustained combat; that the Iranian Navy has no antisubmarine warfare or mine-sweeping capability; and that the Iranian Air Force can effectively support the Army in maintaining internal security, but cannot offer any effective resistance against air attack.

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On June 9, 1958, the Country Team, which is composed of the United States Ambassador, the Chief of the MAAG, and the Director of the Economic Aid Mission, pointed out that the recent increase in the Iranian Army will intensify existing pressures which could weaken the Iranian economy and create political unrest dangerous both to the existing regime and to United States interests. Although accurate figures were not available, we were informed that the size of the Iranian Army was already about 156,000 and was expected to increase to 176,000. The Country Team felt it was imperative that a firm ceiling be set on the number of troops which MAP will support in Iran. (~~SECRET~~)

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FINDINGS AND RECOMMENDATIONS

OVERSTATEMENT OF EQUIPMENT REQUIREMENTS

At the time of our initial review in November 1957, equipment had been programed and was being delivered in excess of Iranian needs because of deficiencies in the MAAG's programing procedures. Program requirements had been developed without satisfactory knowledge of the quantities or condition of equipment assets already available in Iran to meet equipment deficiencies. MAAG/Iran's program submission included requirements that had been previously filled either with deliveries under the military assistance program or with supplies secured before inception of the program even though Iran had not indicated that the equipment previously delivered had been used up and was not available to meet current needs. During our supplemental review in July 1958, we noted that the MAAG had improved its programing techniques and had corrected many of the deficiencies disclosed during our initial review. However, we believe that more aggressive action at all levels of command would have prevented the delivery of certain equipment excess to the computed requirements for Iran. (UNCLASSIFIED)

Equipment assets in each recipient country are deducted from gross requirements in order to compute net deficiencies for military assistance programing. The maintenance of current records concerning equipment quantities on hand in the country is therefore essential. We noted during our initial review that MAAG/Iran generally did not have such records. Also, the MAAG had written off assets as used up and erroneously excluded certain substantial deliveries of MAP items from the computation of assets on hand.

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Pre-MAP signal equipment

At the time the fiscal year 1959 program submission was transmitted to EUCOM in August 1957, MAAG had a current report on pre-MAP signal equipment on hand. For several of these equipment items, however, the program submission excluded as assets all or part of the quantities reported by the Iranians to be on hand. Examples were:

<u>Item</u>	<u>Pre-MAP assets on hand</u>	
	<u>Reported by Iran</u> <u>August 1957</u>	<u>MAAG</u> <u>program submission,</u> <u>August 1957</u>
Radio set, SCR-188	139	40
" " SCR-193	146	3
" " SCR-508	216	88
" " SCR-510	274	-
Telephone, EE-8a	1,753	300
Tool equipment, TE-41	92	-
Switchboard, BD-71	134	-
" BD-72	88	- (SECRET)

A MAAG/Iran internal memorandum dated July 22, 1957, referring to the lesser quantities of radios shown, stated that the assets had been arbitrarily written off because of uncertainty as to their condition. At our request, the Signal Advisor obtained from Iranian records an analysis which showed about 100 SCR-193 radio sets on hand in MAP-supported Army units. The advisor stated that to the best of his knowledge the equipment was in serviceable condition. (~~SECRET~~) UNCLASSIFIED

Based on our discussions of this matter, MAAG personnel started a review of pre-MAP signal equipment available to the country. This review disclosed that the MAAG's failure to consider all signal equipment assets had resulted in delivery of excessive quantities under MAP and/or the presentation of excessive

net requirements in the fiscal year 1959 submission. For example, the review disclosed that, in view of the pre-MAP assets on hand and the additional MAP deliveries since preparation of the 1959 program submission, 433 radio sets, SCR-510, valued at \$347,000, had been delivered in excess of requirements. Subsequently, the MAAG succeeded in having 207 of these radios redistributed to another country. MAAG made an attempt to obtain cancellation of certain deliveries under prior year's approved programs but found that all programmed quantities were in the process of delivery. However, MAAG was able to make substantial reductions in the equipment quantities proposed for programming, such as 82 radio sets, SCR-508, and 150 switchboards, valued at a total of about \$354,000.

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Other pre-MAP assets

At the time of the preparation of the fiscal year 1959 submission, MAAG had no current reports on ordnance equipment in Iran. The asset figures contained in the submission did not agree with delivery data on pre-MAP and MAP equipment. Specific examples of discrepancies in ordnance equipment assets follow.

<u>Delivery data and assets</u>	<u>Trailer, 1-ton 250-gallon water tank</u>	<u>Truck, 3/4-ton 4x4 ambulance</u>
Pre-MAP (per Department of Army report, September 1952)	232	109
MAP deliveries (per program submission)	<u>66</u>	<u>186</u>
Total deliveries to Iran	298	295
Assets on hand (per program submission)	<u>74</u>	<u>UNCLASSIFIED</u>
Discrepancy	<u>224</u>	<u>132</u> (SECRET)

The MAAG indicated that the discrepancies were due to attrition, but it was unable to furnish any supporting evidence showing items actually attrited. (~~SECRET~~)

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Defense programing guidance states that it is a MAAG responsibility to insure that items for which replacement is provided are removed from inventory by actual loss, cannibalization, scrapping, or destruction. In the case of MAP equipment, this includes the reporting of such equipment in accordance with the regulations on redistributable MAP property. Consequently, we believe that equipment should not be programed to replace attrited items without some assurance from the recipient country that the items have in fact been lost, cannibalized, scrapped, or destroyed. (~~SECRET~~)

EUCOM advised us that it is difficult to obtain complete information from Iran with respect to equipment in the hands of units or equipment losses from attrition. We believe, however, that, if Iran had been made aware that equipment to replace losses from attrition would be programed only upon its disclosing fully what attrition had taken place, accurate attrition reports would have been obtained more easily. (~~SECRET~~)

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As a result of our discussions of this matter, MAAG requested the Iranians on December 14, 1957, to submit information about the status of pre-MAP ordnance equipment. The reply from the Iranian Army, dated January 27, 1958, disclosed the existence of substantial quantities of equipment assets which had not been considered in the fiscal year 1959 submission, such as 455 trucks, cargo, 2-1/2-ton. With reference to the discrepancies listed above, the Iranians reported that only 10 of the 232 pre-MAP water-tank

trailers and 12 of the 109 pre-MAP ambulance trucks had been attrited. Recognition of these equipment assets enabled the MAAG to make substantial reductions in the requirements recommended for future programing. ~~(SECRET)~~ UNCLASSIFIED

MAAG also sent a letter in June 1958 to the Iranian technical services requesting them to furnish a current report on the quantities and condition of MAP and pre-MAP equipment on hand and on quantities attrited. The letter explained to the Iranians that MAP programing for replacement of worn-out equipment would be dependent upon the recipient country's furnishing the necessary attrition information. MAAG stated to us that, after this information is received, it intends to make this a quarterly reporting procedure. ~~(SECRET)~~ UNCLASSIFIED

On Vehicle Material

MAAG had failed to consider certain On Vehicle Material (OVM) in the assets on hand and assets to be acquired through anticipated deliveries under approved programs. A substantial number of radios shown as requirements in the fiscal year 1959 submission were for installation in tanks and other vehicles. In accordance with defense programing guidance, MAAG presented both the vehicles and the radios to be installed therein as separate program items. Our review of the submission showed, however, that the figures presented for assets on hand and for anticipated assets from approved programs did not include OVM, so the net radio requirements had been overstated accordingly. Specific items in this category were: 73 radio sets, AN-VRC-3; 25 radio sets, SCR-598 (AN/GRC-3); 94 radio sets, SCR-510 (AN/VRC-8); and 48 radio sets, SCR-528 (AN/GRC-4).

During our review of these items we noted also that an additional 56 SCR-510 radios had been delivered which the MAAG had not included as assets in the program submission. In bringing the above findings to MAAG's attention, we recommended that the adjustments to the program submission also include the related installation units for the radios which are separate program items. (~~SECRET~~)

Based on our findings, MAAG corrected the fiscal year ~~SECRET~~ UNCLASSIFIED program submissions to show only the net additional requirements after considering deliveries and anticipated deliveries of OVM and, to the extent possible, obtained cancellation of undelivered items which were not required but were included in prior years' approved programs. These cancellations included 66 radio sets, AN-VRC-3, and 2 radio sets, SCR-528, valued at more than \$52,000, as well as \$24,000 worth of installation units. In addition, MAAG deleted 6 radio sets, AN/GRC-4, at a total price of about \$2,400, which had been proposed for programming in the fiscal year 1959. EUCOM has reported that MAAG/Iran and certain other MAAGs have been directed to screen their program submissions and count as assets all radio assets on hand whether supplied as separate items or as OVM.

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Other MAP assets

We found from our review of delivery data that MAAG had failed to include all deliveries of MAP equipment as assets in the program submission. Specific items disclosed in our review were:

<u>Item</u>	<u>Quantity</u>
BD-71 switchboard	106
TC-4 "	53
TC-12 "	56
PE-95 power unit	74
PE-162 " "	6
SCR-300 (AN/PRC-10) radio set	1,467
SCR-610 radio set	38
SCR-619 " "	456

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~~(SECRET)~~

We reported to EUCOM in January 1958 that the preceding illustrations indicated a need for a complete analysis of MAP equipment on hand to insure that all delivered items and acceptable substitutes are applied to reduce MAP requirements and recommended that the above signal items be reviewed to determine how the assets on hand related to requirements. EUCOM's reply dated March 5, 1958, stated, however, that the examples stated by us were erroneous in practically every case and did not indicate a need for a complete analysis as suggested by us. ~~(SECRET)~~ UNCLASSIFIED

In our supplemental review conducted in July 1958, we found that MAAG's analysis of the specific items cited by us confirmed that these items were valid assets which should have been considered at the time of programing. The failure of the MAAG to take into account these assets in its programing had resulted in the delivery of the following equipment in excess of Iranian needs.

TC-4 switchboard	26
TC-12 "	24
PE-95 power unit	37
SCR-610 radio set	31 ^a
SCR-619 " "	456 ^a

^aBeing used as substitute for AN/VRC-17 radios which have been proposed for programing. ~~(SECRET)~~

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Conclusion

In a conference held with EUCOM in November 1957, we advised responsible officials that, based on our selective tests, we believed that the MAAG had overprogramed substantial quantities of military end items. We recommended therefore that consideration be given to suspending further shipments of the items in question to Iran pending a reevaluation and study of related requirements. EUCOM did not agree that overprogramming had taken place or that a delivery suspension was desirable. As shown on the preceding pages, our supplemental review conducted in July 1958 disclosed that the MAAG's analysis of the items in question confirmed that excessive quantities were included in prior years' approved programs and that corrective action was taken in accordance with our findings. Furthermore, the MAAG had attempted to cancel delivery of overprogramed items, but its efforts were too late in some cases to prevent shipments, which were already on their way and which, when received, created excesses. We believe that the delivery of some of these excesses would have been prevented if EUCOM had been more receptive to our findings and recommendations in November 1957 and had taken aggressive action at that time.

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OVERSTATEMENT OF SPARE PARTS REQUIREMENTS

Spare parts requirements were computed on the assumption that equipment would be fully utilized despite known deficiencies in Iran's capability to fully utilize equipment on hand. Spare parts requirement computations based on erroneous assumptions result in the reservation of MAP funds which may be expended unnecessarily for unneeded spares or which otherwise could be used to provide for higher priority mutual defense needs. (UNCLASSIFIED)

The 1959 MAAG/Iran program submission stated that it was impossible to obtain any data as to the value of spare parts consumption for any past period. For this reason, MAAG computed the gross fiscal year 1959 requirements by applying usage factors prescribed in the programing guidance where country consumption data were not available. However, we found that the MAAG did have access to spare parts consumption records of the recipient country and that computations of the value of spare parts consumption had actually been made from these records in fiscal year 1956. MAAG officials stated, however, that such computations are very time-consuming and that they would have only limited value for estimating future requirements. (~~SECRET~~) UNCLASSIFIED

Also, the MAAG computation was based on the assumption that the equipment on hand would have 100 percent utilization. During our review, we noted several factors which normally would limit the utilization of equipment. For example, the quarterly report for August 1957 stated that critical shortages of enlisted specialists, particularly in the field of maintenance, existed and

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that a lack of training gasoline seriously hindered training.

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We recommended in January 1958 that EUCOM review the validity of MAAG's assumption that the equipment would have 100 percent utilization in fiscal year 1959. In March 1958, EUCOM advised that the above factors and many others were considered in estimating the percent of equipment utilization and that, in its opinion, the estimates prepared by MAAG/Iran were satisfactory. In addition, EUCOM stated that, even if the estimate proved to be high, excessive spare parts would not be delivered, since spare parts are requisitioned on the basis of actual consumption during the time period involved. ~~(SECRET)~~ UNCLASSIFIED

In April 1958, however, the MAAG revised downward its estimate of 100 percent utilization for fiscal year 1959. The narrative to the 1960 submission stated that the Iranian Army did not maintain sufficient records to determine definitely the percent of utilization. Inspections by field training teams indicated that, except for aircraft and training equipment, utilization was only about 50 percent. Since MAAG officials still believe that available Iranian records are of limited value, they utilized this factor in determining spare parts requirements for both the program year 1960 and the budget year 1959. ~~(SECRET)~~ UNCLASSIFIED

We believe that the action taken by the MAAG has resulted in placing spare parts requirements on a more realistic basis. In view of the reduction in the basis for computing spare parts requirements within 2 months after we were informed by EUCOM that the previous computations were considered satisfactory, it would

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also appear that EUCOM should monitor more closely the development of requirements by the MAAG. EUCOM has reported that, in cooperation with the MAAG, it will endeavor to improve spare parts consumption factors. ~~(SECRET)~~ UNCLASSIFIED

INCOMPLETE SUPPORT FOR PROGRAM REQUIREMENTS

MAAG/Iran's program requirement submissions were inaccurate because the gross materiel requirements as shown in the program submission differed substantially from the requirements listed in supporting Iranian tables of organization and equipment (TOEs). (UNCLASSIFIED)

The Iranian TOEs prepared by MAAG for combat units were, for the most part, dated prior to August 15, 1957, the date of the fiscal year 1959 program submission. MAAG was not able to furnish a reconciliation between the equipment requirements in the submission and the related requirements in the TOEs. We found numerous differences between the quantities and nomenclature of requirements shown in the program and in the TOEs. Four illustrations of such discrepancies follow.

<u>Item</u>	<u>Requirements for one infantry division</u>	
	<u>Per program submission</u>	<u>Per TOE (note a)</u>
Radio, SCR-510 (AN/VRC-8)	22	21
Trailer, 1-ton, 2wh w/tank, (250 gal.))	42	40
Trailer, tank, 1-1/2 ton, (400 gal. M-106))		
Truck, 3/4-ton, 4x4 Amb.	10	13
Mortar, 60 mm.	114	108

^aConsolidated TOE for an infantry division dated October 22, 1957, based on TOEs for subsidiary units issued on dates varying from February 25 to June 6, 1957. ~~(SECRET)~~

Since the existence of discrepancies between the program submission and TOEs indicated the possibility of excessive programming, we recommended to EUCOM in January 1958 that MAAG prepare a reconciliation between the items in the program submission and those in the TOEs. We pointed out that such a reconciliation would serve as a basic working tool in the preparation of program submissions and assure that gross requirements submitted are supportable and otherwise correct. (UNCLASSIFIED)

EUCOM's reply indicated that it considered the four illustrations cited by us to be isolated errors. The reconciliation subsequently prepared by the MAAG, however, showed a need for numerous additional revisions, further indicating that the original submissions were overstated. These revisions, examples of which are shown below, were made in the refined fiscal year 1959 submission and in the fiscal year 1960 submission. (UNCLASSIFIED)

<u>Item</u>	<u>Requirements for one infantry division</u>		
	<u>Per TOE</u>	<u>Per program submission</u>	
		<u>Original</u>	
		<u>1959</u>	<u>1960</u>
Mount MG AA Cal. 50 M63	12	21	12
Mount Tripod MG Cal: 50 M3	130	106	130
Radio, AN-GRC-3	4	5	4
" AN-GRC-5	67	71	67
" AN-GRC-9	44	42	44 (SECRET)

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LACK OF UTILIZATION OF AID

Equipment has been delivered and facilities have been furnished which cannot be effectively used by Iran because the MAAG, in formulating program requirements, has given insufficient attention to the major deficiencies which reportedly existed in the Iranian armed forces and which appeared to adversely affect their ability to absorb, maintain, and utilize the equipment to be furnished. (~~SECRET~~) UNCLASSIFIED

The Effectiveness of Forces Report dated June 30, 1957, disclosed that many serious deficiencies existed in the Iranian armed forces. For the Army, this report stated that there was an imbalance of personnel between combat arms and technical services, that there were shortages of officers, particularly junior officers and NCO's; and that one factor creating imbalance in the ranks of enlisted men is the high illiteracy rate. It stated also that there was no effective organization for training conscripts; that, although organizational and field maintenance operations had improved, they were still generally inadequate; and that even commanding officers have been reluctant to accept full responsibility for maintenance of equipment within their command. The report points out that sufficient fully qualified instructors are not available; development of specialists is a major training problem; and, although progress is being made, sufficient personnel to fill all positions cannot be expected for several years to come.

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For example, Iran has received M47 tanks which it did not have the capability to maintain. We were informed by MAAG

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officials that the M47 tank is much more complicated to maintain than the M46 and that the Iranian Army had a limited capability to overhaul or rebuild engines and no present capability to repair or overhaul transmissions. The fiscal year 1959 program submission prepared by MAAG/Iran did not contain additional requirements for this tank, but EUCOM, in a separate study dated August 29, 1957, recommended the programming of additional M47 tanks. Subsequently, EUCOM has reported that 289 of these tanks were programmed as a result of arrangements made during the visit of the Secretary of State to Iran in January 1958. At the time of our supplemental review, 36 M47 tanks were in Iran, 272 were scheduled for future delivery, and 98 had been recommended for programming. Training and maintenance problems had been so serious that, on February 15, 1958, action was taken by the MAAG to suspend delivery of 1,086 of various types of vehicles under the fiscal year 1958 program.

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Because of planned modernization and an increase in the size of the Iranian Army, TOEs are being revised and will reflect the need for additional equipment. This, together with an acceleration of deliveries, will undoubtedly result in the need for still more technical specialists and further accentuates this problem within the Iranian Army. EUCOM has reported that 231 additional United States training personnel have been approved for Iran to assist in improving the combat capability of the Iranian forces. Although efforts are being made to train additional personnel, there are no over-all projections of future availabilities of

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technical skills which could be utilized to aid in determining what items should be recommended for future programing action, or provide a basis for a realistic time-phased delivery program geared to the country's ability to absorb, maintain, and utilize the equipment. (~~SECRET~~) UNCLASSIFIED

The Iranian Navy and Air Force also lacked sufficient trained personnel. The major deficiency in the Air Force concerned the maintenance and utilization of aircraft. At the time of our initial review in November 1957, the Air Force had neither the pilots nor the maintenance capability to absorb 45 F84G jet aircraft. In July 1958 we were informed that the pilot shortage had been somewhat alleviated but that the serious shortage of trained technical personnel continues to exist. (~~SECRET~~) UNCLASSIFIED

We noted also that MAP-furnished facilities were not being fully utilized. For example, a tire rebuild facility which was furnished to Iran under MAP at a cost of about \$290,000 was operating at about 20 percent capacity at the time of our initial review in November 1957. We were informed by MAAG officials that they discontinued furnishing tires in 1956 in an effort to influence the Iranian Army to send tires to the plant before they are worn beyond repair, but this effort had not been successful. EUCOM informed us that there had been some improvement in the procurement of replacement tires and that the Iranian Army is seeking to perform tire recapping for other Iranian agencies to increase the use of the facility. Our supplemental review conducted in July 1958 disclosed that the MAAG is making efforts to increase the output of the plant. EUCOM has reported that this facility is currently operating at over 60 percent capability. (~~SECRET~~)

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EUCOM concurred in our recommendation at the conclusion of our review that future equipment deliveries be geared more closely to Iran's capability to absorb, utilize, and maintain the items delivered but stated that the problem of proper utilization has been complicated by an acceleration of the aid program to Iran. We have been informed by ISA that since our review the United States has decided to accelerate equipment deliveries to Iran. The basis for this accelerated aid program is discussed in the following section of this report. (~~SECRET~~)

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ACCELERATED DELIVERIES OF MATERIEL

Since our review in Iran, the United States has taken action to accelerate the delivery of materiel previously programed for Iran in order to increase the military capabilities of Iran in the shortest practicable time. EUCOM has reported that the possibility exists that Iran may not be able to absorb these accelerated shipments. (~~SECRET~~) UNCLASSIFIED

In July 1958, ISA informed EUCOM that, based upon Executive directive to increase the military capabilities of Iran and Turkey in the shortest practicable time through the improvement of their indigenous forces, it had been decided, as an initial step, to accelerate the delivery of materiel contained in previously approved programs. ISA stated also that the military departments had been authorized to relax military assistance materiel standards as deemed desirable and necessary; to utilize overtime, premium transportation, and accelerated procurement; and to waive certain other restrictions in order to expedite deliveries. (~~SECRET~~) UNCLASSIFIED

After a survey of the situation in Iran, EUCOM reported that it was not favorably impressed with prospects for immediate improvement in the combat capability of the Iranian Army in view of the serious existing personnel, supply, and maintenance problems. EUCOM reported that the possibility existed that the Iranian Army might not be able to absorb the accelerated shipments. (~~SECRET~~) UNCLASSIFIED

We have been informed by ISA that the United States has given assurances to Iran that deliveries from previously programed aid would be accelerated, that certain modernization would be undertaken, and that the training program for Iranian forces would be

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greatly enlarged in order to provide those forces with a better future capability for assimilating additional equipment. (SECRET)

UNSATISFACTORY PROCEDURES FOR
INSPECTING DELIVERED MAP EQUIPMENT

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MAAG/Iran has not carried out in a satisfactory manner its responsibilities for supervising the utilization of equipment supplied to the Iranian Army. At the time of our review the MAAG did not have complete knowledge of the quantity or condition of equipment for the Iranian Army furnished under the military assistance program, had no formal program for checking the utilization of this equipment, and had not established standards in relation to which it could evaluate the effectiveness of the utilization of such equipment. (UNCLASSIFIED)

In order to program equipment in a realistic manner, the MAAG must have a sound knowledge of the use being made of materiel previously delivered. The review of utilization of army equipment furnished to Iran is limited primarily to following up and reporting cases of improper utilization of equipment in the hands of using units which are observed by MAAG personnel. MAAG has five training teams working with Iranian units in the field. In addition, MAAG advisory personnel make visits to Iranian installations to observe their progress. In order to obtain information on instances of improper utilization and corrective action taken thereon, an internal directive requires the field training teams and the advisors to include these matters in a monthly report of their activities. However, the MAAG has no procedures for physical verification of equipment delivered in order to determine that

such equipment is on hand and to evaluate the utilization thereof. The MAAG has established standards for evaluating utilization by the Iranian Air Force. We observed that thirteen 6-ton trailers delivered to Iran in August 1955 remained in a storage depot for more than 2 years without maintenance. The nonutilization of this equipment went unnoticed because the MAAG's review is mostly an observation of how field units are utilizing equipment. We believe that an adequate and systematic procedure for checking end-item use would consist of (1) a determination of the distribution of delivered equipment, (2) a selective physical verification to account for major items of equipment, and (3) an evaluation of the utilization. (~~SECRET~~) UNCLASSIFIED

MAAG officials have informed us that it would be difficult to establish standards for utilization of MAP equipment and that a formal program for verifying utilization would require more manpower. EUCOM has agreed that reports showing the distribution of equipment should be obtained but has pointed out that the application of standards in the evaluation of equipment utilization is infeasible because of the varying conditions between countries.

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We believe that a systematic procedure for evaluating utilization should result in more effective use of available manpower. As we have previously pointed out, the MAAG has developed procedures for evaluating utilization by the Iranian Air Force by comparison with standards. We are not suggesting the development of a single set of utilization standards that would be applicable world-wide. We are pointing out that the development of standards,

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based on United States objectives in the country supported and the purposes for which materiel was programed, appears essential if the MAAG is to properly carry out its responsibilities.

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Recommendation

Unless the MAAG's responsibilities for utilization inspections and development of sound programs are to be waived because of current United States assurances to Iran, we recommend that the MAAG establish standards defining the usage expected of MAP-furnished equipment and place increased emphasis on end-use inspections of delivered MAP equipment. (UNCLASSIFIED)

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FAILURE TO USE MAP-FURNISHED PREFABRICATED
WAREHOUSES AND BARRACKS

The MAAG programed the construction of new warehouses and barracks without using about \$1 million worth of prefabricated buildings which had been previously furnished under MAP, had been on hand since delivery in the summer of 1956, and were deteriorating because of storage in the open. (UNCLASSIFIED)

MAAG/Iran ordered the prefabricated warehouses and barracks in May 1955 after receipt of a Department of the Army message that the equivalent of a million dollars in Finnish funds was available for procurement of prefabricated buildings for Iran. The MAAG requested speedy delivery of these buildings in order to use them for troop housing before the start of the winter of 1955. Delivery, however, was not made until the summer of 1956. The buildings consisted of 186 barracks and 200 warehouses. Part of these was assigned for early use after arrival, but the major quantity, consisting of about 100 barracks and 170 warehouses, was sent to a storage area to be held until definite plans for their use had been developed. In meetings with Iranian officials in August 1956, it was agreed that the barracks would be used for construction of a training center to be financed by the Iranian Government and that the warehouses would be used in the MAP-financed construction program. (~~SECRET~~) UNCLASSIFIED

In July 1957, MAAG officials inspected the condition of the prefabs and found that they were warping and cracking because of storage in the open. The inspection report pointed to the need for early utilization of these prefabs in order to prevent further deterioration and waste. (~~SECRET~~) UNCLASSIFIED

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At the date of our review, however, there were no definite plans for immediate use of the prefabricated units in storage. MAAG asked Iranian officials in June 1957 to submit the plans and the estimated starting date for the construction that they had agreed to finance. Their reply dated July 14, 1957, stated that the construction of the training center, in which the prefabricated barracks would be used, had been postponed to future years. In the MAP-financed construction program, the prefabricated warehouses had been assigned for use in three projects for construction of depots. One of these projects was in the fiscal year 1959 program submission. The other two depots had a very low priority and were not scheduled for programming before fiscal year 1962.

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The fiscal year 1957 construction projects which were started in July 1957 and the fiscal year 1958 projects which are in an advanced programming stage contain substantial construction of warehouses and barracks. The projects in the fiscal year 1957 program include warehouse construction of about 186,000 square feet. Additional warehouse construction totaling more than \$1 million is included in the fiscal year 1958 projects. The available prefabricated units would provide about 390,000 square feet. ~~(SECRET)~~ UNCLASSIFIED

During our review we suggested to MAAG officials that the prefabricated units be used instead of constructing new buildings. MAAG officials indicated that, although the standards for the construction were austere, they were of the opinion that for aesthetic reasons the wooden prefabricated units would be out of place with the brick construction of other buildings. ~~(SECRET)~~ UNCLASSIFIED

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EUCOM advised us that approval was received from the Department of Defense, after the date of our review, to rearrange priorities of projects in the fiscal year 1958 construction program to enable work to begin on two storage depots which would effectively utilize all the prefabricated warehouses. This action has had the effect of advancing the construction date of the two storage depots which were of such low priority that they were intended for programing in 1962. EUCOM advised us also that the prefabricated barracks have been transported to a Replacement Training Site where construction is expected to proceed without delay. These actions were apparently taken for the purpose of promptly utilizing the prefabricated structures since, so far as we have been able to determine, the military priorities had not changed in a manner that required earlier construction of these facilities. (SECRET)

We do not believe that the use of MAP funds to provide new buildings for Iran, while prefabricated buildings already provided under the program are either unused or being used for less urgent requirements, is consonant with the stated Defense policy of making maximum use of available resources through the application of austere programing standards. (UNCLASSIFIED)

INADEQUATE CONTROL OVER SALVAGE
AND SCRAP SALES OF MAP PROPERTY

The MAAG has not controlled the salvage and scrap sales of MAP property and does not know the extent to which Iran had salvaged MAP property and disposed of such property by sale.

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Defense directives require that the salvage, scrap, or other disposition by the recipient country of materiel excess to MAP requirements be adequately safeguarded by the MAAG to insure disposal in such a manner that it will be used to support the defense efforts of that country or other countries friendly to the United States. (UNCLASSIFIED)

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We were informed during our initial review that equipment which is beyond repair is reviewed by an Iranian Army committee to determine salvage action and to authorize disposal of components or parts by sale. MAAG personnel furnish advice to this Iranian committee but do not maintain records as to quantities and types of items disposed of in this manner. The MAAG does not obtain any information on the amounts received or on the use of the proceeds of such sales which in accordance with current understandings are to be used solely to support the defense effort. (~~SECRET~~)

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EUCOM informed us in March 1958 that it was impractical to maintain records as to quantity and type of item disposed of by the Iranian Army through salvage because of the problems involving pre-MAP assets. Our follow-up review conducted in July 1958 disclosed, however, that MAAG plans to obtain reports of attrited items including pre-MAP assets from Iranian military authorities.

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Recommendation

We recommend that arrangements be made with Iranian authorities to establish a reporting procedure to assure that attrited and salvaged equipment and sales of scrap are handled in a manner

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which is subject to MAAG control. As part of these arrangements, the MAAG should satisfy itself that proceeds of scrap sales retained by Iran are used solely in support of the defense effort.

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