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REPORT TO THE CONGRESS

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Second Review Of Phasedown Of United States Military Activities In Vietnam

B-171579

Department of Defense

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

AUG. 9, 1971

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

B-171579

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

This is our report on the second review of phasedown of United States military activities in Vietnam.

Our examination was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

SECOND REVIEW OF PHASEDOWN OF UNITED STATES MILITARY ACTIVITIES IN VIETNAM
Department of Defense B-171579

D I G E S T

WHY THE REVIEW WAS MADE

The General Accounting Office (GAO) has undertaken a series of reviews of policies and procedures applied by the Department of Defense (DOD) in reducing military activities in Vietnam and of results being attained.

GAO's objectives are to identify problems being encountered, focusing particularly on the logistics, and to bring these problems promptly to the attention of the responsible military commanders and to the Secretary of Defense while the phasedown continues.

In its first report, March 15, 1971 (B-171579), GAO reported its observations concerning phasedown actions completed through April 15, 1970. This second report presents the results of GAO's follow-up review of phasedown actions through December 1970.

FINDINGS AND CONCLUSIONS

Considerable progress has been made by DOD and the military services to ensure an orderly phasedown and effective redistribution of equipment and materiel and to cope with problems identified in GAO's first review. This progress has been achieved despite the necessity to fully support forces still in the field and engaged in combat. (See p. 8.)

These are GAO's observations in the principal areas of its review.

Disposition of departing units' equipment

In the earlier phasedown segments, there was a lack of coordination between the services in transferring equipment from one United States service to other than its counterpart service in the Vietnamese Armed Forces, e.g., from the United States Air Force to the Vietnamese Marines. Procedures have now been established to correct this situation. One result of this action has been the transfer of about $2.9 million worth of materiel from the United States Marines to various Vietnamese services. (See p. 8.)

Also, action had been taken to correct weaknesses in the procedures for controlling transfer of equipment among Army units. As a

result, requisitions for equipment having a total value of $5.1 million were canceled. (See p. 9.)

GAO found, in its subsequent work, that effectiveness of the program was being hampered by other problems.

--Unnecessarily restrictive criteria concerning the condition of equipment on hand in Vietnam eligible for transfer to the Vietnamese were resulting in loss of opportunities to cancel shipments from the United States. These criteria were revised when GAO questioned their applicability. (See p. 13.)

--The Vietnamese requirements for turned-in equipment were not accurately identified. Programs already under way in each service to correct this problem were substantially completed by December 1970. (See p. 15.)

--The Air Force did not have procedures for screening available equipment against the needs of the Vietnamese. This deficiency was corrected when the Air Force implemented a mechanized system to accomplish the screening. (See p. 16.)

--Air Force units returning to the United States were taking along parts, supplies, and equipment which were available in the United States and which could have been left for use by units remaining in Vietnam. The Air Force is going to emphasize that in-country requirements be met to the maximum extent from assets of redeploying units. (See p. 17.)

--Insufficient maintenance capability was affecting timely disposition of turned-in equipment. Army officials stated that appropriate actions would be taken to avoid any undue backlogs of equipment. (See p. 18.)

Use of excess

Improvements have been made in the system for redistributing excess equipment and materiel in Vietnam to organizations needing them. Nevertheless GAO believes that the use of this excess to meet current needs--especially those of the Vietnamese--generally has not been as complete as possible. The problems identified by GAO and other audit organizations were:

--Until July 1970 there were no procedures for submission of Vietnamese Army requisitions through United States Army supply channels for screening against in-country assets, although this screening was technically feasible. (See p. 20.)

--Until November 1970 the Vietnamese were not allowed to requisition their funded requirements from the large volume of excess reported to the Pacific Command Utilization and Redistribution Agency. (See p. 21.)

--Even under new screening procedures established in July 1970, opportunities to use excess at depots in Vietnam were not being realized. Many items of equipment for the Vietnamese were requisitioned for them in the United States, and these requisitions were not being screened against excess assets available at depots in Vietnam. The Army has issued new guidance which provides for the use of depot excesses to meet the requirements of the Vietnamese. (See p. 22.)

Adjustment of supply flow

The U.S. military services in Vietnam have taken many effective actions to adjust stock levels in response to decreasing requirements. This has been reflected in a significant decrease in the stockage level. GAO noted, however, that further improvements were still possible and brought problems areas to management's attention for corrective action. As a result:

--The Army and Marines are canceling a greater number of requisitions of departing units and thus are further decreasing the amount of unneeded materiel shipped to Vietnam. (See p. 25.)

--The Army is preventing more effectively the processing of requisitions from units scheduled for phaseout. (See p. 28.)

Property disposal operations

GAO limited its efforts in the area of property disposal, to avoid duplicating audit work being performed by the Army Audit Agency. The Agency concluded in its report that the U.S. Army had exerted a strong effort to develop means of disposing of excess personal property within a complex Vietnamese business environment. (See p. 29.)

RECOMMENDATIONS OR SUGGESTIONS

All the problem areas discussed in this report were brought to local management's attention and were discussed with appropriate officials in DOD and the military services. In each instance prompt corrective action was taken or promised. As a result no specific recommendations are included in this report.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Deputy Assistant Secretary of Defense (Installations and Logistics) stated that the military departments concurred in general with GAO's conclusions and proposals. He stated also that the services had undertaken corrective actions to improve procedures in accordance with GAO's proposals. (See app. I.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting these matters to the Congress to provide it with as current information as possible on logistical actions being taken in connection with the phasedown of U.S. military activities in Vietnam.

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ABBREVIATIONS

CONUS	Continental United States
DOD	Department of Defense
GAO	General Accounting Office

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CHAPTER 1

INTRODUCTION AND SCOPE

In this second in a series of reviews by the General Accounting Office on the policies and procedures being applied in the phasedown of U.S. military activities in the Republic of Vietnam, our efforts were focused on the logistical aspects in three areas.

1. Disposition of equipment of U.S. military units being transferred (redeployed) or being placed in an inactive status (deactivated).

2. Disposition of other equipment and materiel already in Vietnam and excess to the needs of the U.S. Forces remaining there.

3. Adjustment of the flow of materiel and equipment from the United States into Vietnam in accord with the reduced military requirements.

The authorized troop strength in Vietnam was reduced from about 549,000 in June 1969 to 284,000 in May 1971--a reduction of about 48 percent. The reduction of about 265,000 troops was accomplished through five increments. A further reduction of 100,000 troops is scheduled to be completed by December 1, 1971. At that time there will have been an aggregate reduction of 365,000 troops, or 66 percent, from the level authorized in June 1969 when the first withdrawal increment was announced.

Reductions in authorized troop strength continue to be accomplished by the deactivation or redeployment of units. Reductions in actual troop strength are made by transferring personnel out of the country and curtailing the flow of replacements.

The following table summarizes the force reductions for the five increments through May 1, 1971, by comparing authorized troop ceilings with actual numbers of troops.

	Date	Aurhorized troop ceiling	Actual troop numbers
Level at start of increment I	June 8, 1969	549,500	538,000
First reduction		25,000	23,000
Level at end of increment I	Aug. 31, 1969	524,500	515,000
Second reduction		40,500	31,000
Level at end of increment II	Dec. 15, 1969	484,000	484,000
Third reduction		50,000	58,417
Level at end of increment III	Apr. 15, 1970	434,000	425,583
Fourth reduction		50,000	46,641
Level at end of increment IV	Oct. 31, 1970	384,000	378,942
Fifth reduction		40,000	41,042
Level at end of increment V	Dec. 31, 1970	344,000	337,900
Sixth reduction		60,000	(a)
Level at end of increment VI	May 1, 1971	284,000	(a)

[a]Information had not been released officially at the time of our review.

This report is not intended as an overall evaluation of the activity or program on which we are reporting. It is based, in large part, on our observations made between July and December 1970, the period of increments IV and V. Our earlier report commented on logistical aspects of increment III as discussed in chapter 2.

To avoid duplication of audit work already performed, GAO made use of information contained in audit reports of DOD's Deputy Comptroller for Internal Audit, the Army Audit Agency, and the Air Force Auditor General.

During this review, our work was performed at the Military Assistance Command, Vietnam; at seven U.S. Army commands in Vietnam, two in Okinawa, and one in California; at

two U.S. Navy commands in Vietnam; and at three U.S. Air Force commands in Vietnam.

During our examination we brought important matters to the attention of responsible officials in Vietnam through meetings and memorandums. We kept the Office of the Secretary of Defense informed through periodic meetings with staff personnel of the Office of the Assistant Secretary of Defense (Installations and Logistics). Responsible commands, in many instances, already have taken corrective actions.

The Deputy Assistant Secretary of Defense (Installations and Logistics), in commenting on our draft report, stated that the military departments concurred in general with our conclusions and proposals. He stated also that the military services had undertaken corrective actions to improve procedures in accordance with our proposals. (See app. I.)

CHAPTER 2

PROGRESS OF PHASEDOWN

In our first report, issued March 15, 1971 (B-171579), we reviewed phasedown actions completed through April 15, 1970. That report stated that DOD was faced with a formidable task of complying with the President's phasedown directives and that, despite constraints imposed, efforts were being made to ensure an orderly phasedown and effective redistribution of equipment and materiel.

Since then DOD and the military services have continued their efforts and considerable progress has been made to cope with problems identified in our first review. This progress has been achieved despite continuing constraints to efficient phasedown planning and implementation. Combat operations, including, for a time, the extensive operations in Cambodia, still had to be supported fully. As before, the decisions as to which units were to be deactivated or redeployed were held closely at higher echelons for security reasons. Without this advance information, planning at lower levels was difficult.

ACTION TAKEN TO CORRECT PROBLEMS PREVIOUSLY IDENTIFIED

In our report on the earlier phasedown actions, we identified problems concerning procedures for processing turned-in equipment. Our subsequent work showed that appropriate corrective action had been taken in most cases. The more significant problems previously noted and corrective actions taken are summarized below.

Improved interservice coordination

We observed that there was no coordination between the United States military services in identifying opportunities for transferring equipment to other than a counterpart Vietnamese service; for example, transfer from the United States Air Force to Vietnamese Marines.

Our follow-up work showed that the Military Assistance Command, Vietnam, had established procedures, beginning with

increment IV, for identifying such opportunities as well as for appropriately transferring equipment. One result has been the transfer of equipment having a total value of about $2.9 million from the Marine Corps to the various Vietnamese services.

Improved control over transfer of Army equipment

Another problem observed concerned weaknesses in the procedures for controlling transfer of equipment among Army units. These weaknesses included (1) failure to cancel outstanding requisitions by recipient units for the same equipment, (2) failure to validate the recipients' requirements, and (3) approval of transfers of items under special control of the Department of the Army, contrary to its instructions for disposition.

Our follow-up work showed that action had been taken to strengthen these procedures. One accomplishment has been the cancellation of requisitions for equipment valued at about $5.1 million.

Improved accountability for turned-in equipment

We previously reported that the Army had developed a computerized system for controlling equipment turned in during phasedown but that the system was not fulfilling its intended purpose. The system was developed during increment III when it became apparent that the punch-card system then in use could not handle the work load. Weaknesses in the system resulted in inaccurate and incomplete reports, however, and the system did not provide the desired records of accountability for property turned in.

During increments IV and V, the Army substantially improved and refined the system. Accuracy checks on recorded data were incorporated, controls were established to prevent duplication of entries, and physical controls over input data were centralized to prevent loss of data. As a result the system now appears to provide adequate accountability for property from the time that it is turned in by units until it is redistributed or otherwise disposed of.

Notwithstanding these and similar actions by the military services to improve the efficiency of logistical support, we found a number of opportunities for improving the management of the current and future troop withdrawals. These opportunities are discussed in following chapters.

CHAPTER 3

DISPOSITION OF DEPARTING UNITS' EQUIPMENT

During increments III, IV, and V--carried out between December 15, 1969, and December 15, 1970--the Army reduced its authorized troop strength by about 86,000. During that period the units involved in the phasedown turned in about 112,000 major items of equipment to supporting supply points, as follows:

Type of equipment	Number of items turned in			
	Increment			
	III	IV	V (note a)	Total
Wheeled vehicles	3,699	1,876	2,564	8,139
Tracked vehicles	459	210	551	1,220
Artillery pieces	191	70	119	380
Small arms	27,379	18,587	14,025	59,991
Communications-electronics	15,655	13,591	12,852	42,098
Total	47,383	34,334	30,111	111,828

[a]Through December 12, 1970.

Departing units also disposed of several thousand other items of equipment by transferring them directly to other Army units.

Generally the equipment turned in from departing Army units is:

--Sent to another Army unit in Vietnam having a requirement for the equipment.

--Transferred to the Vietnamese Armed Forces to meet identified needs.

--Sent to Army installations elsewhere, as instructed by the Department of the Army in Washington or by Headquarters, U.S. Army, Pacific.

If not handled as above, the equipment is either placed in depots in Vietnam and retained to meet future requirements or disposed of in accordance with Army procedures for handling excess if there is no anticipated need.

Equipment which is required but which needs repair first would be sent to a maintenance facility and then would be redistributed as outlined above.

Marine Corps procedures differ somewhat from the Army's. Units redeploying to locations in the western Pacific retain their authorized equipment to maintain operational readiness. The equipment of Marine units being redeployed or being deactivated is made available for redistribution to the Vietnamese Armed Forces before the units are sent out of the country.

Air Force and Navy procedures differ from those of the Army and Marine Corps. The Navy has been engaged since 1968 in a program aimed at turning over its facilities and vessels in Vietnam to the Vietnamese. The reduction in Navy strength usually does not make equipment available for redistribution, because the Vietnamese assume responsibility for the equipment and operation simultaneously with the U.S. Navy strength reduction.

The Air Force's redeploying units generally retain their aircraft to maintain operational readiness. To the extent that aircraft and other equipment are transferred to the Vietnamese, however, such transfers are handled on a unit-to-unit basis. Under this plan the equipment of a United States unit is turned over to an equivalent Vietnamese unit.

Consequently the Air Force and Navy are not faced with the large problem of piecemeal redistribution of equipment that must be handled by the Army and, to a lesser extent, by the Marine Corps.

During our review we identified areas in which equipment could be redistributed more effectively. In our opinion, some of these improvements would contribute materially to the Vietnamization program. Examples of deficiencies noted were:

1. Restrictive criteria that inhibited transfer of equipment to the Vietnamese.

2. Failure to identify what the Vietnamese Armed Forces wanted and needed.

3. Air Force redeployment policy and procedures that inhibited the transfer of required materiel to the Vietnamese and caused unnecessary shipments from the United States.

4. Inadequate manning of maintenance facilities that caused a backlog of equipment needing repair.

RESTRICTIVE CRITERIA INHIBITED TRANSFER OF EQUIPMENT TO VIETNAMESE

About 10 percent of the vehicles turned in by departing units were transferred to the Vietnamese Armed Forces, even though the Vietnamese could have used many more. Military Assistance Command, Vietnam, records through October 20, 1970, showed that less than 500 of about 5,600 vehicles turned in during increments III and IV had been transferred by the Army to the Vietnamese forces.

In some instances this resulted because there was no identified Vietnamese requirement for the equipment; more often there was a Vietnamese requirement but the turned-in equipment was not in the condition required for it to be eligible for transfer to the Vietnamese forces.

The Military Assistance Command, Vietnam, established mileage criteria for transferring vehicles. Jeeps and 3/4-ton trucks could not exceed 10,000 miles; 2-1/2-ton trucks and 5-ton trucks could not exceed 17,000 miles and 12,000 miles, respectively.

The principal reason for establishing mileage criteria was U.S. concern over the ability of the Vietnamese to handle the increased maintenance work load that would result from the acceptance of heavily used vehicles. Although we recognized the validity of this concern, we observed obvious inconsistencies between the objective of the policy and its results. We saw vehicles of various types

that exceeded the mileage criteria but were obviously in better condition than other vehicles that were eligible for transfer.

We discussed this problem with officials of the Military Assistance Command, Vietnam, and DOD. After reevaluation of the situation, mileage criteria for all vehicles were raised to 20,000 miles.

This action will increase the amount of equipment being transferred to the Vietnamese. These additional transfers, in turn, will reduce the quantity of equipment being shipped from the United States. We calculated that, because of this change in criteria, about 727 additional vehicles, worth $6 million, became eligible for transfer during increments IV and V, as follows:

Type of vehicle	Turned in during increments IV and V	Eligible for transfer: Old criteria	Eligible for transfer: New criteria	Additional vehicles eligible: Number	Additional vehicles eligible: Value
1/4 ton	712	49	196	147	$ 473,594
3/4 ton	804	91	330	239	1,008,430
2-1/2 ton	1,016	372	541	169	1,643,490
5 ton	425	53	203	150	2,271,352
Miscellaneous	171	4	26	22	617,365
Total	3,128	569	1,296	727	$6,014,231

VIETNAMESE REQUIREMENTS FOR TURNED-IN EQUIPMENT NOT ACCURATELY IDENTIFIED

The Military Assistance Command, Vietnam, periodically issues a "want list" setting forth unfilled equipment requirements of the Vietnamese Armed Forces. This list is one of the basic tools for identifying opportunities to meet Vietnamese needs with equipment becoming available during the phasedown. Obviously it is important that the want list be accurate if maximum transfers of equipment to the Vietnamese are to be realized.

The DOD Deputy Comptroller for Internal Audit issued a report on October 30, 1970, on the results of a review of materiel furnished to the Armed Forces of the Republic of Vietnam. The review included an examination of requirements computations for each of the Vietnamese armed services, which showed that full consideration was not always given to:

1. The quantities and types of equipment authorized for units and activities.

2. Equipment on-hand and due-in from prior years' programs.

3. Expected attrition.

For example, the Deputy Comptroller's report noted that the Unit Authorization Lists and Consolidated Authorization List which set forth equipment authorized for the Vietnamese Air Force had not been updated after August 1967.

Although the other military services had more precise definitions of Vietnamese requirements, problems still were noted. Problems noted generally involved the use of erroneous attrition rates. Overestimating or underestimating the quantity of equipment which will require replacement because of combat loss, age, or some other cause has a direct effect on the computation of requirements. For example, the Deputy Comptroller reported that the Vietnamese Army requirement for a certain type of tractor had been understated by 18 pieces of equipment having a total value of about $430,000 because an erroneous attrition computation had been used.

Tests made by the Deputy Comptroller in his review disclosed understatements of requirements totaling $1.4 million. Presumably a more exhaustive examination would have uncovered even more understatements. Very large overstatements of requirements were also disclosed, but the impact of these errors is not as significant because actual requirements of the Vietnamese are verified after an offer is made to fill an indicated need. Understatements can result in offers' not being made when requirements do exist because these requirements will not be reflected on the want list.

At the completion of our fieldwork, measures were being taken to correct errors noted by the Deputy Comptroller, and in November 1970 a revised want list was issued by the Military Assistance Command.

AIR FORCE DID NOT HAVE PROCEDURES FOR SCREENING VIETNAMESE NEEDS

In our first report we commented that the Air Force had returned to the United States equipment for which there was a Vietnamese need identified on the want list. Our follow-up work showed that the Air Force had not yet established procedures for screening the want list against available Air Force equipment. We were told that one reason for not performing the screening was that it had to be done manually.

The benefits of screening Air Force equipment against want list requirements could be substantial. Our screening of 130 items on the August 1970 want list against equipment at Air Force bases in Vietnam indicated that 19 items, in some quantity, having a total value of about $300,000 were excess to Air Force requirements in Vietnam.

Agency comments

The Deputy Assistant Secretary of Defense (Installations and Logistics), in commenting on our draft report, stated that the Air Force had a mechanized system for screening Vietnamese Air Force requirements against United States Air Force excesses.

NEED TO REVISE AIR FORCE POLICY ON RETURN OF MATERIEL

Air Force policy for returning materiel to the United States with units redeploying from the Pacific is set forth in an August 4, 1970, Memorandum of Understanding. This reflected agreements reached by representatives of the Tactical Air Command, Pacific Air Forces, and Air Force Logistics Command.

The memorandum contained a policy statement that redeploying units should be operationally ready at their new locations as quickly as possible. To attain this objective, the memorandum provided that units redeploying from the Pacific take with them supplies, spare parts, and equipment required to quickly reach readiness posture at the new bases.

This could result in unnecessary cross shipments of like materiel between Vietnam and the continental United States (CONUS). The Air Force Auditor General reviewed redeployment of an aircraft wing from Tuy Hoa Air Base to CONUS. His review identified about $250,000 worth of spare parts which had been returned to CONUS and which could have been used to fill current requirements at another air base in Vietnam. The Auditor General verified that the same materiel had been available in CONUS.

In our opinion, Air Force policy should recognize that supplies, spare parts, and equipment needed to sustain operational readiness of units redeploying from the Pacific are available in CONUS.

It appears that a more reasonable course of action would be to transfer materiel to units remaining in the Pacific Theater where need exists, particularly in Vietnam. The readiness of redeploying units would not be adversely affected because there would be sufficient lead time to provide the materiel at the new bases from CONUS stocks.

Agency comments

In response to suggestions contained in our draft report, the Deputy Assistant Secretary of Defense (Installations and Logistics) informed us that Air Force procedures

did provide for the redistribution of materiel to units remaining in Vietnam and that the Air Force would continue to emphasize the importance of satisfying in-country requirements to the maximum extent consistent with unit deployment priorities.

We plan to review and to evaluate the effectiveness of the Air Force procedures during the conduct of our next review of the phasedown.

NEED FOR BETTER MANAGEMENT OF MAINTENANCE

During the earlier increments of phasedown, a large backlog of Army equipment which required intermediate-level maintenance accumulated at the Long Binh Depot. Corrective measures were taken at the Long Binh Depot, but we observed that the same situation developed during increment V at the Qui Nhon Depot area.

During prior increments a relatively small quantity of equipment was processed at the Qui Nhon Depot--most of this activity being carried out at the Long Binh Depot. Qui Nhon Depot participation increased considerably during increment V; about half of the Army's reduction in materiel was processed there.

The unit responsible for maintenance of equipment turned in at the Qui Nhon Depot had only 29 of its 99 authorized maintenance personnel. Despite this shortage the unit was responsible for continuing its normal direct support mission--providing maintenance support to units on duty in Vietnam. The maintenance outputs of phasedown-generated vehicles during October and November, prior to increment V, were 46 and 50, respectively. It was expected that about 500 vehicles requiring maintenance would be turned in at Qui Nhon during increment V.

We discussed this matter with Army officials at Qui Nhon. They told us that personnel had been requested to fill the shortages. Officials at Army headquarters in Vietnam and at Military Assistance Command, Vietnam, told us that they were keeping close watch on the situation at Qui Nhon and that necessary steps would be taken to keep the work load manageable and to prevent backlogs of equipment.

Agency comments

The Deputy Assistant Secretary of Defense (Installations and Logistics), in replying to our draft report, stated that action was being taken to ship reparable assets to other Army maintenance facilities in the Pacific Command when the in-country backlog exceeded the capabilities of the Army maintenance units in Vietnam.

CHAPTER 4

UTILIZATION OF EXCESS

The generation of excess materiel is an undesirable, yet seemingly unavoidable, side effect of military supply systems. Changes in operating patterns, obsolescence, human errors, and difficulties in predicting requirements precisely for all locations produce excess materiel. To mitigate this problem, DOD has tried to find other users for the excess materiel. This involves transferring the excess materiel between organizations, military services, agencies, and allies.

We concluded from our review that the DOD objective to use excess materiel to meet current needs, especially those of the Vietnamese, had not been realized to the fullest possible extent. This could result in unnecessary shipments from CONUS of materiel that was available in-theater.

NEED TO FURTHER IMPROVE USE OF IN-COUNTRY ASSETS TO MEET VIETNAMESE NEEDS

Since January 1970 requisitions submitted by the Vietnamese have been routed to Okinawa to be screened against Army long-supply[1] assets in various Pacific locations. Until July 1970 these requisitions were screened only against assets in Okinawa, Japan, and Korea but not against assets in Vietnam. It was expected that the Vietnamese would take advantage of Army long-supply and excess[2] assets in Vietnam by periodically screening lists provided. The Vietnamese, however, lacked the computer capability to perform such screening, and thus opportunities for transfers were being missed.

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[1] That quantity which is above current needs and which is authorized for retention.

[2] That quantity which is above current needs and above the long-supply quantity.

Army records indicate that, during the period January to July 1970, screening of 83,037 requisitions in Okinawa resulted in 15,783 requisitions, or 19 percent, being completely filled and 8,141 requisitions, or 10 percent, being partially filled.

We tested 120 requisitions submitted by the Vietnamese Army in November 1970 and found that sufficient long-supply assets were on hand at depots in Vietnam to satisfy 24, or 20 percent, of the requisitions. It appears, therefore, that screening against stocks available in Vietnam would be beneficial.

In July 1970 procedures on Okinawa were modified to include computer screening of Vietnamese Army requisitions against long-supply assets at the Army's Long Binh Depot. Although this represents a significant improvement, the modified screening procedures are still inadequate because they provide that assets on Okinawa be screened and shipped before the Long Binh Depot assets are screened. Additional improvement is needed in the screening procedures employed on Okinawa, so that maximum use can be made of assets available in Vietnam to fill Vietnamese Army requisitions.

We suggested that the Army's procedures be revised to provide for screening Vietnamese Army requisitions against assets available in Vietnam before screening these requirements against assets on Okinawa. Subsequently we were informed that the Army intended to change the requisition-screening priorities to require that in-country stocks be drawn prior to those on Okinawa.

INCREASED USE BY VIETNAMESE OF OUT-OF-COUNTRY EXCESS

Prior to November 1970 the Vietnamese use of excess reported to the Pacific Command Utilization and Redistribution Agency was limited to assets designated "nonreimbursable." Assets become nonreimbursable only after they have been determined to be excess to the worldwide requirements of U.S. Forces. In addition, procedures employed by the Redistribution Agency pertaining to the order in which customer requisitions were screened against this nonreimbursable excess further limited opportunity for these assets to be used by the Vietnamese.

As a result of these limitations, these assets could be used to satisfy lower priority requisitions from organizations in other areas of the world or could even be returned to the United States, even though there was Vietnamese need for them.

These defects were corrected in November 1970 when the Redistribution Agency procedures were changed to provide the Vietnamese with the same access to this excess as U.S. units had.

OPPORTUNITY TO USE DEPOT EXCESS

There are two basic procedures by which materiel is requisitioned for the Vietnamese Army. Requisitions for certain items of materiel are originated by the Vietnamese; requisitions for other items of materiel, principally equipment items, are originated in the United States by the International Logistics Center, Army Materiel Command, on the basis of information contained in the approved military assistance program.

Requisitions originating in Vietnam are screened against long-supply assets available in depots in the Pacific. Major items of equipment in depots in Vietnam which became excess to current operating needs of remaining U.S. Forces, however, were not being considered promptly for filling the needs of the Vietnamese.

For example, our sampling of 115 items scheduled to be requisitioned by the Center showed that, as of October 18, 1970, unreported long-supply assets were available in depot stocks in Vietnam to meet all or part of the requirements for 19 of these items.

We noted that the Army had 571 mine detectors having a total value of about $278,000 that were excess to current needs while there was an identified Vietnamese need for 1,711 of the same type of mine detector. We brought this matter to the attention of Military Assistance Command, Vietnam, officials, and, as a result of their review of these 19 items, equipment having a total value of $3.2 million was identified as available for transfer to the Vietnamese. Similar opportunities probably exist for those items not included in our review.

The Army has procedures which provide that equipment items in depots in Vietnam that are excess to needs be applied against Department of the Army predispositioned instructions and be furnished to requisitioners in order of priority. Items not identified on Department of the Army predispositioned instructions are to be reported to the U.S. Army, Pacific. This procedure has not been effective.

In our opinion, cognizant item managers should be required to make special analyses of available depot stocks at each control point in the Pacific, especially in Vietnam, for those items identified as being Vietnamese requirements. The International Logistics Center could be informed of the extent to which requirements are met so that any actions under way to acquire or ship additional assets could be canceled.

Agency comment

The Deputy Assistant Secretary of Defense (Installations and Logistics), in commenting on our draft report, stated that Army guidance required that depot excess, as well as excess generated by redeploying units, be used to fill requirements of the Vietnamese.

CHAPTER 5

REDUCTION IN FLOW OF MATERIEL TO VIETNAM

There are two principal tasks to be accomplished in making the flow of materiel in the pipeline responsive to phasedown activities.

First, new lower stockage levels must be calculated. These lower levels defer or prevent replenishment actions that otherwise would be initiated and also make possible cancellation of previous replenishment actions for materiel which is no longer needed. Second, action must be taken to cancel open requisitions of units that are being redeployed or deactivated, to prevent shipment of unneeded materiel. A collateral action required is the blocking of new requisitions for these units before they are submitted to sources outside of Vietnam.

ACTION TAKEN TO REDUCE STOCKAGE LEVELS

It appears from our review that the military services have taken action to reduce stockage levels in recognition of decreasing demands by reducing these levels in proportion to reduction in troop strength, e.g., a 10-percent reduction in troop strength would be accompanied by a 10-percent reduction in stockage levels. Adjustments for major items of equipment, being based on analyses of the future requirements for specific types of equipment, have been more precise.

We noted that the military services had established procedures for canceling outstanding replenishment requisitions for materiel which, if received, would be excess to the new, lower stockage levels.

The services also had instituted other programs aimed at reducing the quantity of materiel in Vietnam. Their efforts had been quite successful. Between March 1969, shortly before the phasedown started, and September 1970, the Army reduced its on-hand stocks worth $1.4 billion to $317 million--a reduction of $1.1 billion, or 78 percent.

Similarly, between May 1969 and September 1970, the Marine Corps reduced its on-hand and due-in stocks worth $104.5 million to $28.3 million--a reduction of $76.2 million, or 73 percent. These rates of reduction significantly exceeded the rates at which Army and Marine Corps troop strength declined over the period involved. The ratio of in-country stocks to troop strength is significantly lower than it has been in the past, and the potential for problems in the future disposition of residual stocks has been lessened.

CANCELLATION OF REQUISITIONS OF DEPARTING UNITS

Although the accomplishments in reducing stocks in Vietnam were impressive, the services were experiencing some problems in effecting cancellation of requisitions. The Army and Marine Corps had difficulty in obtaining cancellation of orders already placed for units slated for redeployment or inactivation. The Army also was not effectively preventing the processing of new requisitions out of Vietnam for these units. Corrective action has been taken on these matters.

Army cancellation procedures for CONUS requisitions

The U.S. Army, Vietnam, has relied upon the Logistical Control Office, Pacific, to cancel open requisitions in CONUS for units departing Vietnam because of phasedown operations. The Control Office, which is at Fort Mason, California, is responsible for monitoring the status of requisitions for materiel destined for Vietnam. Information copies of requisitions and associated documents regarding status are to be sent to the Control Office for filing.

Rather than take such action itself, the U.S. Army, Vietnam, depended on the Control Office for cancellation action, primarily because of a desire to restrict the number of persons in Vietnam having knowledge of the identity of departing units.

The procedures used provided for the U.S. Army, Vietnam, to furnish the Control Office with information on the

identity of units scheduled to depart during the period of each increment. Using this information, the Control Office searches its requisition file and processes cancellation requests to appropriate CONUS supply sources.

The Control Office's efforts to obtain confirmation of cancellations have met with little success. With respect to increments I, II, and III, which were completed by April 15, 1970, Control Office records indicated that, through October 30, 1970, a total of 2,183 requisitions were confirmed as canceled. In contrast, U.S. Army, Vietnam, records showed, as of October 29, 1970, a total of about 8,200 open requisitions which were for units that had left during the periods of these increments and which should have been canceled.

Our examination showed that the Control Office's inability to cancel more requisitions was due, in part, to its incomplete files. The files were incomplete because information on some of U.S. Army, Vietnam, CONUS requisitions (the Control Office's estimate was 10 to 15 percent) was never transmitted to the Control Office. Officials attributed this situation to improper coding or routing of requisitions and to the loss of data during transmission.

The Control Office was not successful in obtaining confirmation of cancellation requests for those requisitions that were in its files. Our review showed that, for one increment, the Control Office had not received any response to over 60 percent of its cancellation requests.

Our findings were corroborated by a report of the Army Audit Agency, issued in November 1970, which commented on procedures used to cancel requisitions of units departing Vietnam. The Army Audit Agency also noted that the Control Office's files were not complete; but it also reported that this situation had been overcome to some extent at certain inventory control points. At these locations action was taken to cancel not only the individual requisitions identified by the Control Office but also all other requisitions of the units indicated on the cancellation requests that were received.

The Army Audit Agency reported that the Army Materiel Command had issued instructions to all inventory control points to set up automated procedures for canceling requisitions of units departing Vietnam. Under the new procedures, the Control Office will not be responsible for initiating cancellation requests. These procedures will be in effect for increment VI of the phasedown. As the Army Audit Agency noted, inventory control points have the most current and complete data on requisitions, so they should be able to cancel these requisitions effectively.

We suggested that, as an interim measure during increment V, the U.S. Army, Vietnam, initiate its own cancellation actions on the requisitions of departing units as soon as security considerations allowed. Our proposal was accepted.

Army cancellation procedures for in-theater requisitions

Another problem that we brought to the attention of the Army also was corrected. This problem involved certain requisitions which were for items not normally stocked and which were sent to Okinawa for screening. A record of these requisitions was not monitored by the Inventory Control Center, Vietnam. Therefore the Center could not take cancellation actions for these items requested by departing units as it did for items which were stocked normally.

Although unnecessary procurements normally would not result from this situation, needless transportation of materiel back and forth between Vietnam and Okinawa could occur. After we brought this problem to the attention of appropriate officials, a special computer program (named "GAO Special") was prepared to effect cancellation. Through use of the program, about 3,100 requisitions were identified for cancellation.

Marine Corps cancellation procedures

Marine Corps procedures provide for its Force Logistics Command in Vietnam to take action to cancel back orders of departing units. These are requisitions for materiel which the Command normally stocks but does not have on hand.

Cancellation of these back orders is important, because, if left on the records, they result in an overstatement of future requirements. In turn, this overstatement of requirements results in the requisitioning of unneeded and excess materiel.

Although the Command had procedures for canceling back orders, a significant number of orders that should have been canceled were open at the time of our review. In November 1970, 929 back orders totaling $572,045 from 63 units that had departed Vietnam were still on the records. By the time we completed our fieldwork, the Command was correcting this situation.

Army procedures for blocking new requisitions

The Army developed procedures for blocking the processing of new requisitions for units scheduled for deactivation or redeployment. These procedures were put into effect for increment V of the phasedown.

To prevent disclosure of the identity of units slated for phasedown before public announcement was made, two senior officers at the Inventory Control Center, Vietnam, were given the task of manually reviewing all requisitions before the units left the country. Those requisitions for units known by these officers to be slated for departure were extracted.

Only the requisitions of certain major units were blocked in this way, because of the work that would have been involved in manually screening requisitions of all 109 units scheduled for departure in increment V. We estimate that, as a result of this practice, the requisitions for at least 50 percent of the 109 departing units escaped the screening process.

We brought this matter to the attention of responsible officials, and the procedures were changed to provide for blocking requisitions of all departing units, rather than just of major ones. This action will be of further assistance in preventing unnecessary shipments of materiel.

CHAPTER 6

PROPERTY DISPOSAL OPERATIONS

The withdrawal of U.S. troops from Vietnam has had a significant impact on property disposal operations. More materiel is being turned in at a faster pace than ever before. As shown in the following chart, average monthly receipts have increased significantly since the phasedown began in June 1969. The increase accompanying increment IV is especially significant, because we believe that this could be indicative of the impact of future withdrawal increments.

Average Monthly Receipts of
U.S. Army Property Disposal Yards in Vietnam

Period	Value of usable materiel (000 omitted)	Scrap (short tons)
July 1968 to June 1969, prior to increment I	$ 6,996	6,661
July 1969 to June 1970, increments I, II, and III	8,351	11,468
July 1970 to October 1970, increment IV	10,710	15,454

At the time of our fieldwork, the Army Audit Agency was conducting a detailed review of property disposal operations. To avoid duplication of audit work, we limited our efforts to observations of the daily routine at two property disposal activities and to a review of statistical data.

The objective of the Army Audit Agency review was to evaluate procedures used to receive, account for, store, and sell foreign excess personal property. It concluded that, overall, the Army headquarters in Vietnam had put forth every effort to develop techniques for disposing of excess personal property within the complex Vietnamese business environment. The procedures used, however, to receive, account for, store, and sell excess property could be improved. It found that:

--Procedures had not been developed to apprise authorized units of usable excess materiel available for withdrawal from property disposal yards.

--Usable items available for issue were mixed with other items.

--Locator systems at property disposal yards were either inaccurate or nonexistent.

--Usable items were not always accounted for, because of unrecorded sales, issues, and downgrading actions.

--Materiel requiring covered storage deteriorated in the yards while available warehouse storage space was only 35 percent utilized.

--For usable items sold, an average 175 days expired between the time that the items were received at the property disposal yards and the time that they were removed after sale.

AGENCY COMMENTS

The Deputy Assistant Secretary of Defense (Installations and Logistics), in commenting on our draft report, stated that progress had been made in reducing the inventories at property disposal activities in Vietnam. He reported that dispositions generally exceeded generations of both usable items and scrap after September 1970. Further improvement in this area is anticipated because DOD is working with the Department of State to have Vietnamese officials relax some of the export restrictions.

The Secretary stated also that procedures had been implemented which facilitated better accounting, receiving, storage, and physical security practices.

We are not in a position to report on the effectiveness of these procedures at this time. The whole area of property disposal in Vietnam is, in our opinion, one which warrants further review. We intend to look into this matter as part of our continuing review of the phasedown of U.S. military activities in Vietnam.

CHAPTER 7

INTERNAL REVIEW OF PHASEDOWN OPERATIONS

A number of internal audits and reviews of phasedown-related logistical activities in Vietnam have been conducted by audit organizations within DOD.

The Deputy Comptroller for Internal Audit, Office of the Secretary of Defense, issued three reports during 1970, which covered some aspects of phasedown activities. Discussed in these reports, among other things, were (1) problems in computing Vietnamese Armed Forces program requirements, (2) transfer of equipment to the Vietnamese, (3) utilization of equipment transferred to the Vietnamese, and (4) the need to screen excess against Vietnamese requirements.

The Army Audit Agency performed 10 audits from June 1969, which related directly or indirectly to phasedown logistical activities. The more significant reports covered cancellation of requisitions from units redeploying from Vietnam, property disposal operations, and certain aspects of increment IV. The Army Audit Agency was in the process of reviewing increment IV when we started our review. In the interest of ecomomy and to avoid unnecessary duplication of effort, the Army Audit Agency curtailed its review and issued a report on its findings through October 1970.

Five reviews of phasedown activities were conducted by the Air Force Auditor General from August through October 1970. These audits covered shipments made to the United States when valid requirements existed in Vietnam, stock controls during base phasedown, and packing and crating problems.

We found that the Department of the Navy had not performed internal audits of phasedown activities in the Navy or Marine Corps. With this exception, however, we concluded that audit coverage of the phasedown had been adequate and that the auditors' recommendations had been implemented.

APPENDIXES

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

SP
INSTALLATIONS AND LOGISTICS

20 APR 1971

Mr. C. M. Bailey
Director, Defense Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Bailey:

The Secretary of Defense has asked me to reply to your letter of February 17, 1971 which transmitted copies of your Draft Report entitled "Second Review of Phasedown of U. S. Military Activities in Vietnam," (OSD Case #3238)

We and the Military Departments have reviewed the report and concur generally with your conclusions and recommendations. Recognition of our efforts to assure an orderly phasedown and effective redistribution of equipment and materiel is appreciated. Comments which follow should provide you with clarifying information for inclusion in the Final Report.

The need has been recognized for detailed procedures involving unit redeployments and inactivations, and redistributing materiel while tactical operations continue. Appropriate procedures have been developed, and associated problems continue to receive top management emphasis.

The deficiency noted by the Department of Defense Deputy Comptroller for Internal Audit regarding the update of Vietnamese Air Force (VNAF) equipment authorization lists has been corrected. The Unit Authorization Lists and the Consolidated Authorization List were updated during the second quarter of Fiscal Year 1971.

Procedures now exist for screening approved VNAF requirements against U. S. Air Force (USAF) excesses. For the most part this is accomplished by a mechanized system and the VNAF has the capability to comply. When VNAF requirements are converted to the appropriate card format the mechanized system accomplishes the screening.

Air Force directives provide for the redistribution of materiel to units remaining in Vietnam. With regard to the F-100 deployment from Tuy Hoa

Air Base, approximately 3300 line items of aircraft and equipment spares were shipped in late September 1970 to Phan Rang Air Base to fill valid in-country shortages. The operational taskings of the Air Force require that materiel allocation priority be assigned to redeploying units. The Air Force will, however, continue to emphasize the importance of satisfying in-country requirements to the maximum extent consistent with unit deployment priorities.

The management of Army maintenance programs in Vietnam continues to receive priority attention. Maintenance resources are adjusted in-country when workload distribution dictates such action. Action is also taken to retrograde reparable assets to other Army maintenance facilities in the Pacific Command (PACOM) when the in-country backlog exceeds the U. S. Army, Vietnam (USARV) management level.

The lack of computer capability by the Vietnamese did initially limit Military Assistance Command, Vietnam (MACV) capability to screen U. S. Force excesses against Vietnamese Armed Forces (RVNAF) requirements. This program control function, which facilitates the Military Assistance Service Funded (MASF) redistribution capability, was transferred to the 2nd Logistical Command from the U. S. Army International Logistics Center on July 1, 1970. This function, together with the screening of U. S. Army, Pacific (USARPAC) secondary item excesses, provides a unique centralized program authorization and excess edit capability for both U. S. Army and ARVN requirements. Since February 1, 1971, long supply stocks located at all Army depots in Vietnam have been screened against ARVN requisitions by the 2nd Logistical Command.

Army has provided USARV with guidance which requires that depot excesses in Vietnam be either applied against predisposition instructions or reported for possible use in filling RVNAF requirements. These predisposition instructions are applicable to principal and secondary items generated by U. S. units in stand-down status as well as depot excesses generated by redeployments and inactivations.

All Services continue to place emphasis on the cancellation of requisitions for departing units. In January and February 1971, the Army conducted a comprehensive review of requisition cancellation procedures in USARPAC. The overall objective was to assure that requisitions for items no longer required in Vietnam are effectively cancelled and shipments of such materiel are frustrated or diverted. The U. S. Army Inventory Control Center, Vietnam (ICCV) has developed the capability to generate single line cancellation requests from its customer status file and its basic cycle which, together with mass cancellations by Inventory Control Points (ICPs), currently offers

the best assurance to reduce the materiel flow. We have had to structure the cancellation system to be compatible with limitations imposed by security classifications assigned to troop lists of units identified for withdrawal. In spite of such limitations, significant progress is being made to reduce the flow of materiel to Vietnam.

Property disposal operations in PACOM are of particular concern to us. We have been gratified to note that the inventory trends for both useable items and scrap are favorable, as dispositions have generally exceeded generations since September 1970. We are also working very closely with the Department of State to further ease export restrictions imposed by Vietnamese officials. Procedures have been implemented which facilitate better accounting, receiving, storage and physical security practices. We will continue to explore opportunities for improving the management of property disposal operations so that inventories can be maintained at a reasonably low level while realizing maximum dollar sales returns.

It is recommended that the first sentence of the last paragraph on page 43 of the Draft Report be changed to read "We found that the Department of the Navy has not performed internal audits of phasedown activities in the Navy or the Marine Corps." This change is necessary because the Marine Corps does not have an audit staff.

The opportunity to comment on this report in draft form is appreciated.

Sincerely,

Glenn V. Gibson

Glenn V. Gibson
Deputy Assistant Secretary of Defense

PRINCIPAL OFFICIALS OF THE DEPARTMENT OF DEFENSE AND THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
DEPARTMENT OF DEFENSE		
SECRETARY OF DEFENSE:		
Melvin R. Laird	Jan. 1969	Present
Clark M. Clifford	Mar. 1968	Jan. 1969
Robert S. McNamara	Jan. 1961	Feb. 1968
DEPUTY SECRETARY OF DEFENSE:		
David Packard	Jan. 1969	Present
Paul H. Nitze	July 1967	Jan. 1969
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):		
Barry J. Shillito	Feb. 1969	Present
Thomas D. Morris	Sept. 1967	Jan. 1969
DEPARTMENT OF THE ARMY		
SECRETARY OF THE ARMY:		
Robert F. Froehlke	July 1971	Present
Stanley R. Resor	July 1965	June 1971
Stephen Ailes	Jan. 1964	July 1965
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):		
J. Ronald Fox	June 1969	Present
Vincent P. Huggard (acting)	Mar. 1969	June 1969
Dr. Robert A. Brooks	Oct. 1965	Feb. 1969

	Tenure of office	
	From	To
DEPARTMENT OF THE ARMY (continued)		
COMMANDING GENERAL, U.S. ARMY MATERIEL COMMAND:		
Gen. Henry J. Miley	Nov. 1970	Present
Gen. Ferdinand J. Chesarek	Mar. 1969	Oct. 1970
Gen. Frank S. Besson, Jr.	July 1962	Mar. 1969
DEPARTMENT OF THE NAVY		
SECRETARY OF THE NAVY:		
John H. Chafee	Jan. 1969	Present
Paul R. Ignatius	Sept. 1967	Jan. 1969
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS):		
Frank Sanders	Feb. 1969	Present
Barry J. Shillito	Apr. 1968	Jan. 1969
CHIEF, NAVAL MATERIAL COMMAND:		
Adm. J. D. Arnold	Aug. 1970	Present
Adm. Ignatius J. Galantin	Mar. 1965	July 1970
COMMANDANT OF THE MARINE CORPS:		
Gen. Leonard F. Chapman, Jr.	Jan. 1968	Present
Gen. Wallace M. Greene, Jr.	Jan. 1964	Dec. 1967
DEPARTMENT OF THE AIR FORCE		
SECRETARY OF THE AIR FORCE:		
Dr. Robert C. Seamans, Jr.	Jan. 1969	Present
Dr. Harold Brown	Oct. 1965	Jan. 1969
UNDER SECRETARY OF THE AIR FORCE:		
John J. McLucas	Mar. 1969	Present
Townsend Hoopes	Oct. 1967	Feb. 1969

	Tenure of office	
	From	To
DEPARTMENT OF THE AIR FORCE (continued)		
ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS):		
Phillip N. Whittaker	May 1969	Present
Robert H. Charles	Nov. 1963	May 1969
COMMANDER, AIR FORCE LOGISTICS COMMAND:		
Gen. Jack G. Merrell	Mar. 1968	Present
Lt. Gen. Lewis L. Mundell	Feb. 1968	Mar. 1968
Gen. Thomas P. Gerrity	Aug. 1967	Feb. 1968