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September 28, 2012

# Inspector General

United States  
Department of Defense



## Improvements Needed in Transparency and Accountability of U.S. Army Reserve Component Equipment Transfers

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## Acronyms

AC	Active Component
ARNG	Army National Guard
ASD (RA)	Assistant Secretary of Defense for Reserve Affairs
JCS	Joint Chiefs of Staff
OSA	Office of the Secretary of the Army
OSD	Office of the Secretary of Defense
RC	Reserve Component
SECDEF	Secretary of Defense
TPE	Theater Provided Equipment
USAR	U.S. Army Reserve





**INSPECTOR GENERAL**  
**DEPARTMENT OF DEFENSE**  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500

September 28, 2012

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE FOR RESERVE  
AFFAIRS  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

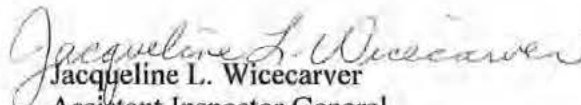
**SUBJECT:** Improvements Needed in Transparency and Accountability of U.S. Army  
Reserve Component Equipment Transfers  
(Report No. DODIG-2012-139)

We are providing this report for review and comment. Army officials did not implement procedures to properly account for the transfer and replacement of 239,332 pieces of Army Reserve Components equipment, valued at approximately \$5.8 billion. As a result, Army Reserve Components have lost transparency of their equipment transfers and may experience equipment shortages that could hinder their ability to train soldiers and respond to Federal, State, or local emergencies. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. As a result of comments from the Assistant Secretary of Defense for Reserve Affairs, we deleted draft Recommendation 1.a and renumbered Recommendations 1.b, 1.c, 1.d, and 1.e to Recommendations 1.a, 1.b, 1.c, and 1.d, respectively. Comments from the Assistant Secretary of Defense for Reserve Affairs, the U.S. Army Deputy Chief of Staff, G-8, and the Director, Army National Guard were partially responsive. Comments from the Chief of Staff, U.S. Army Reserve were not responsive. Therefore, we request comments on Recommendations 1.a, 2.a, 2.b, 2.c, 3.a, and 3.b by October 29, 2012.

Please provide comments that conform to the requirements of DoD Directive 7650.3. Comments provided to the final report must be marked and portion-marked, as appropriate, in accordance with DoD Manual 5200.01. If possible, send a portable document format (.pdf) file containing your comments to [audclev@dodig.mil](mailto:audclev@dodig.mil). Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604(b)(6) (DSN 664(b)(6)).

  
Jacqueline L. Wicecarver  
Assistant Inspector General  
Acquisition and Contract Management





# Results in Brief: Improvements Needed in Transparency and Accountability of U.S. Army Reserve Component Equipment Transfers

## What We Did

We determined whether the Army had transparency and accountability for Army Reserve Components (RCs) equipment transfers. We reviewed documentation for 290,500 pieces of equipment transferred between 2003 and 2011, valued at approximately \$7.6 billion, to determine whether the Army followed DoD Directive 1225.6, "Equipping the Reserve Forces," April 7, 2005 (Directive), when transferring equipment.

## What We Found

Army officials did not implement accountability procedures to verify the transfer and replacement of 239,332 pieces of RCs equipment, valued at approximately \$5.8 billion. Specifically, RCs transferred 203,997 pieces of equipment to Army Active Component (AC) and other RCs without the Secretary of Defense's (SECDEF's) approval. This occurred because:

- U.S. Army Deputy Chief of Staff, G-8 (G-8) and RCs inappropriately determined that proposal plans were not required for 203,929 equipment transfers within RCs; and
- G-8 did not follow the requirement for preparing a proposal plan for 68 pieces of equipment transferred to AC.

RCs transferred another 1,203 pieces of equipment to AC and other RCs before obtaining SECDEF approval because G-8 did not initiate the approval process timely. The Assistant Secretary of Defense for Reserve Affairs (ASD [RA]), G-8, and RCs could not accurately account for the replacement of 34,132 pieces of RCs equipment transferred to AC and other RCs because ASD (RA), G-8, and RCs informal processes were not effective for verifying equipment replacements. The Army could not determine the total amount of RCs equipment transfers for the purpose of

mobilization because it did not maintain a central repository.

As a result, RCs have lost transparency of their equipment transfers and may experience equipment shortages that could hinder their ability to train soldiers and respond to emergencies.

## What We Recommend

We recommend ASD (RA) update draft DoD Instruction 1225.06, finalize formal policies, and develop a central repository. We recommend G-8 conduct a review to determine the need to replace equipment transferred, prepare proposal plans for future equipment transfers, take action to replace equipment transferred between 2003 and 2008, and create implementing guidance. We recommend that the Chief of Staff, U.S. Army Reserve (USAR) and the Director, Army National Guard (ARNG) prepare proposal plans and obtain SECDEF approval for future equipment transfers and create implementing guidance.

## Management Comments and Our Response

As a result of comments from ASD (RA), we deleted draft Recommendation 1.a and renumbered Recommendations 1.b, 1.c, 1.d, and 1.e to Recommendations 1.a, 1.b, 1.c, and 1.d, respectively. Comments from ASD (RA), the U.S. Army Deputy Chief of Staff, G-8, and the Director, Army National Guard were partially responsive. Comments from the Chief of Staff, U.S. Army Reserve were not responsive. Therefore, we request comments by October 29, 2012. Please see the recommendations table on the back of this page.

## Recommendations Table

<b>Management</b>	<b>Recommendations Requiring Comment</b>	<b>No Additional Comments Required</b>
Assistant Secretary of Defense for Reserve Affairs	1.a	1.b, 1.c, and 1.d
U.S. Army Deputy Chief of Staff, G-8	2.a, 2.b, and 2.c	2.d and 2.e
Chief of Staff, U.S. Army Reserve	3.a and 3.b	
Director, Army National Guard	3.a	3.b

**Please provide comments by October 29, 2012.**

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## Introduction

### Objective

Our objective was to determine whether the U.S. Army had transparency and accountability for equipment transferred between the U.S. Army and U.S. Army Reserve Components. See Appendix A for a discussion of the scope and methodology and prior coverage related to the objective.

### Background on U.S. Army Components

The National Defense Authorization Act for FY 2012 approved the U.S. Army's end strength to be approximately 1.1 million soldiers. The 1.1 million Army soldiers are divided between two distinct and equally important components: Army Active Component (AC) at 562,000 soldiers and Army Reserve Components (RCs) at 563,200 soldiers. Army AC mission is to fight and win wars by providing prompt and sustained land dominance. Army RCs are made up of the U.S. Army Reserve (USAR) and Army National Guard (ARNG). USAR is authorized 205,000 soldiers that are trained, equipped, and ready to meet global requirements across a full spectrum of operations. ARNG is authorized 358,200 soldiers and has a dual mission that consists of both Federal and State roles. A Governor can activate ARNG during local or State emergencies, such as storms, mudslides, fires, earthquakes, or civil disturbances. In addition, the President of the United States can activate ARNG for participation in Federal missions.

### ***Equipping Army Active Component and Mobilizing Army Reserve Components***

Over the past decade, Army RCs have fought side-by-side with Army AC in support of overseas contingency operations in Southwest Asia. Operations Enduring Freedom, Iraqi Freedom, and New Dawn have required significant numbers of soldiers and equipment to combat these evolving threats. Since September 11, 2001, Army officials have activated 203,613 USAR soldiers and 360,796 ARNG soldiers.<sup>1</sup> Army RCs are activated when they are officially ordered to the Army AC.

According to the draft "DoD Directive 1225.6 Request Review Process," flowchart and Army officials, the U.S. Central Command Combatant Commander is responsible for the soldiers geographically located in Southwest Asia. The Office of the U.S. Army Deputy Chief of Staff, Operations (G-3) is responsible for developing plans and priorities within each Combatant Command. The Commander and G-3 work together to identify mobilizing units,<sup>2</sup> what missions the units will accomplish, and equipment requirements to accomplish the missions. G-3 submits a list of the equipment requirements to the

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<sup>1</sup> USAR and ARNG soldiers are counted each time they are activated causing the activated number of soldiers to be higher than the authorized number of soldiers.

<sup>2</sup> Mobilization involves the preparation of soldiers and their required equipment.

Office of the U.S. Army Deputy Chief of Staff, G-8 (G-8). G-8 is responsible for matching available resources to identified equipment requirements. G-8 reviews the list of equipment requirements and proposes the best approach to fulfill the equipment requirements to G-3. G-8 can propose the fulfillment of equipment requirements through new procurements, Theater Provided Equipment (TPE),<sup>3</sup> Army AC to Army AC transfers, and Army RCs equipment transfers. G-8 recommends Army RCs equipment transfers as a last resort to meet the requirements of mobilizing Army AC or Army RC units. G-3 approves the G-8 proposal and informs the Combatant Commander of how it will meet the equipment requirement. G-8 must follow DoD Directive 1225.6, “Equipping the Reserve Forces,” April 7, 2005 (Directive), when G-3 agrees to fulfill equipment requirements through Army RCs equipment transfers.

### ***History of DoD Directive 1225.6***

In November 1992, the Assistant Secretary of Defense for Reserve Affairs (ASD [RA]) issued the Directive to address the transfer of equipment from RCs to the AC. ASD (RA) created the Directive to prevent the RCs from being used as equipment pools, as well as, to prevent funding designated for the RCs from being diverted to the AC and having older, less capable equipment provided to the RCs. In April 2005, ASD (RA) revised the Directive to update policies and responsibilities for procuring and distributing items of new and combat-serviceable equipment to the RCs. The Directive also requires a proposal plan to replace equipment transferred from the RCs. The proposal plan identifies the type and quantity of agreed upon equipment to transfer, as well as, an equipment replacement plan. The replacement plan specifies when and how the equipment will be replaced. Equipment can be replaced with newly acquired equipment, refurbished equipment, or funding for the replacement value of the transferred equipment.

The Directive requires Secretary of Defense (SECDEF) approval of proposal plans before the transfer of equipment. In December 2006, Army officials requested delegation of approval authority to the Secretary of the Army for equipment transfers. In October 2007, the Deputy Secretary of Defense denied the request to lower the delegation of approval authority to the Secretary of the Army. In January 2012, Army officials requested that the Deputy Secretary of Defense modify the Directive to exclude the requirement of a proposal plan for equipment transfers made within Army RCs. On May 16, 2012, the Under Secretary of Defense for Personnel and Readiness issued DoD Instruction 1225.06, which still requires proposal plans for equipment transfers made within Army RCs.

### ***Army’s Approval Process of Proposal Plans***

According to the draft “DoD Directive 1225.6 Request Review Process,” flowchart and Army officials, once G-3 approves the G-8 recommendation to fulfill an equipment requirement through an Army RCs equipment transfer, G-8 coordinates with the head of

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<sup>3</sup> TPE is equipment left behind for follow-on units to use in an effort to cut down on equipment shipping costs.

the transferring Army RCs to confirm availability of equipment and negotiates the transfer. G-8 documents the agreement in a proposal plan. G-8 and Army RCs approve the proposal plan and forward it to the Office of the Secretary of the Army (OSA) for review. OSA reviews the proposal plan and verifies that the Army will be able to maintain sufficient equipment levels to enable all units under its jurisdiction to satisfy training, operational requirements, and mobilization readiness after the transfer.

OSA forwards the approved proposal plan to the Joint Chiefs of Staff (JCS) for review. JCS reviews the proposal plan to determine if the equipment transfer will affect DoD's ability to complete current and future missions. If the proposal plan negatively affects DoD's ability to complete current and future missions, JCS submits an alternative program and budget proposal to achieve greater conformance with the priorities of the Combatant Commander. If the proposal plan does not affect DoD's ability to complete current and future missions, JCS approves the proposal plan and staffs it to the Office of the Secretary of Defense (OSD) for review.

Within OSD, ASD (RA), and SECDEF review the proposal plan. ASD (RA), who is responsible for the overall supervision of RCs matters, reviews the proposal plan to make sure that Army RCs still have the necessary equipment to complete their dual mission after the required equipment is transferred. ASD (RA) approves the proposal plan and forwards it to the SECDEF requesting final approval. The SECDEF approves the proposal plan, authorizing Army RCs to transfer the requested equipment. Additionally, the SECDEF's approval of the proposal plan also signifies approval of the replacement plan for the transferred equipment. See Appendix B for a diagram of the proposal plan approval process.

### ***Army Reserve Components Transferred Equipment***

Army RCs identified they transferred 290,500 pieces of equipment between 2003 and September 2011, valued at approximately \$7.6 billion.<sup>4</sup> In July 2011, G-8 and Army RCs agreed to review the requirement to replace 85,300 pieces of Army RCs equipment, valued at approximately \$5 billion, transferred to Army AC and mobilizing Army RC units between 2003 and 2008.<sup>5</sup> Since 2008, the SECDEF has approved five proposal plans that transferred 1,203 pieces of equipment to Army AC and mobilizing Army RC units, valued at \$186.6 million. In addition, Army RCs transferred another 203,997 pieces of equipment, valued at approximately \$2.4 billion. Specifically, Army RCs transferred 203,929 pieces of equipment to other Army RCs for the purpose of mobilization and 68 pieces of equipment to Army AC. Table 1 (on page 4) illustrates a summary of Army RCs equipment transfers by type.

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<sup>4</sup> Army equipment valuation has been a recurring material weakness for the Army. Army personnel provided the equipment values contained here and throughout the report. The audit team did not validate these values.

<sup>5</sup> According to Army G-8, the agreement included Army RCs equipment transfers through July 19, 2008.

**Table 1. Army RCs Equipment Transfers Type**

<b>Type of Army RCs Equipment Transfer</b>	<b>Pieces of Army RCs Equipment</b>	<b>Value (millions)</b>
To Army RCs, No Proposal Plan, Since 2008	203,929	\$2,360.0
To Army AC, No Proposal Plan, Since 2008	68	\$39.7
To Army AC or Army RCs, With Proposal Plan, Since 2008	1,203	\$186.6
To Army AC or Army RCs, With Proposal Plan, 2003 Through 2008	85,300	\$4,969.2
<b>Total</b>	<b>290,500</b>	<b>\$7,555.5</b>

## **Internal Control Weaknesses With Army Reserve Components Equipment Transfers**

DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in the approval and tracking of equipment transferred between Army AC and Army RCs. Specifically, G-8 and Army RCs inappropriately determined that proposal plans were not required for equipment transfers within Army RCs for the purpose of mobilization. Additionally, G-8 did not follow the requirement for a proposal plan and did not initiate the approval process timely. Furthermore, ASD (RA), G-8, and Army RCs did not have effective policies and procedures for verifying equipment replacements, and the Army did not maintain a central repository of Army RCs equipment transfers. We will provide a copy of the report to the senior official responsible for internal controls in ASD (RA) and Army.

## **Finding. Transparency and Accountability Needed for Equipment Transfers**

Army officials did not implement accountability procedures to verify the transfer and replacement of 239,332 pieces of Army RCs equipment, valued at approximately \$5.8 billion. Specifically,

- Army RCs transferred 203,997 pieces of equipment, valued at approximately \$2.4 billion, to Army AC and other Army RCs without the required SECDEF approval.
  - Army RCs transferred 203,929 pieces of equipment, valued at approximately \$2.4 billion, without a proposal plan because G-8 and Army RCs inappropriately determined that proposal plans were not required for equipment transfers within Army RCs for the purpose of mobilization; and
  - ARNG transferred 68 pieces of equipment, valued at approximately \$39.7 million, to Army AC without a proposal plan because G-8 did not follow the requirement for a proposal plan.
- Army RCs transferred 1,203 pieces of equipment, valued at approximately \$186.6 million, to Army AC and other Army RCs before obtaining SECDEF approval because G-8 did not initiate the approval process timely.
- ASD (RA), G-8, and Army RCs could not accurately account for the replacement of 34,132 pieces of Army RCs equipment, valued at approximately \$3.2 billion, transferred to Army AC and other Army RCs because ASD (RA), G-8, and Army RCs informal processes were not effective for verifying equipment replacements.

Additionally, Army could not determine the total amount of Army RCs equipment transfers for the purpose of mobilization because it did not maintain a central repository of Army RCs equipment transfers.

As a result, Army RCs have lost transparency of their equipment transfers and may experience equipment shortages that could hinder their ability to train soldiers and respond to Federal, State, or local emergencies.

### **Requirements for Equipment Transfers**

DoD Directive 1225.6 establishes requirements for RC equipment levels and responsibilities for procuring and distributing RC equipment. Specifically, it requires the RCs of each Military Department be properly equipped to accomplish assigned missions, including homeland defense. The Directive requires sufficient equipment be available to support the RCs annual training requirements.



The Directive requires that:

proposals for withdrawals, diversions, or reductions of any equipment from the Reserve components, together with a projected equipment replacement plan for the removed equipment and supplies, shall be submitted for approval after coordination with the Chairman, Joint Chiefs of Staff, through ASD (RA), to SECDEF.

The Directive provides an exception to the requirement for equipment withdrawals or loans that are returned to the RC within 90 days.

## **Equipment Transfers Made Within Army Reserve Components Without Proposal Plans**

Army officials did not implement accountability procedures to verify the replacement of Army RCs equipment transferred within Army RCs. Army RCs transferred 203,929 pieces of equipment, valued at approximately \$2.4 billion, without a proposal plan because G-8 and Army RCs inappropriately determined that proposal plans were not required for equipment transfers made within Army RCs for the purpose of mobilization. Specifically,

- Army RCs identified equipment requirements and transferred 171,861 pieces of equipment without a proposal plan, and
- G-8 recommended the transfer of 32,068 pieces of equipment without a proposal plan.

### ***Army Reserve Components Identified Equipment Requirements***

Army RCs identified equipment requirements and transferred 171,861 pieces of equipment within Army RCs, valued at approximately \$1.5 billion, without a proposal plan. Of the 171,861 pieces of equipment, USAR transferred 141,334 pieces of equipment while ARNG transferred the remaining 30,527 pieces of equipment. For example, USAR transferred 10 cargo planes, valued at \$33.2 million, from the 228<sup>th</sup> and 52<sup>nd</sup> Aviation Regiments to the 339<sup>th</sup> Military Intelligence Company (Aviation Electronic Warfare) without a proposal plan. Army RCs

*Army RCs identified equipment requirements and transferred 171,861 pieces of equipment within Army RCs, valued at approximately \$1.5 billion, without a proposal plan.*

stated that equipment transfers occur on a regular basis to equip Army RCs for upcoming deployments. Army RCs use a 5-year process to schedule deployments and identify equipment requirements.<sup>6</sup> During the 1<sup>st</sup> and 2<sup>nd</sup> year, units are equipped and trained with equipment received through reset. Reset is the refurbishing and

redistribution of equipment brought back from previous deployments. During the 3<sup>rd</sup> and 4<sup>th</sup> year, units are trained with the specific equipment that will be used to accomplish its

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<sup>6</sup> Army Force Generation Model is the 5-year process used by the Army to schedule deployments and identify equipment requirements.

upcoming mission. Army RC units are deployed during the 5<sup>th</sup> year. Army RCs identify equipment requirements and transfer equipment during the 5-year process to ready troops for deployment.

### ***G-8 Recommended Equipment Transfers***

G-8 recommended the transfer of 32,068 pieces of equipment within Army RCs, valued at approximately \$877.8 million, without a proposal plan. Of the 32,068 pieces of equipment, USAR transferred 27,336 pieces of equipment while ARNG transferred the

remaining 4,732 pieces of equipment. According to the draft “DoD Directive 1225.6 Request Review Process,” flowchart and Army officials, the Combatant Commander and G-3 worked together to identify which units to mobilize, what missions the units would accomplish, and equipment requirements to accomplish the missions. For the 32,068 pieces of equipment, G-3 submitted a list of the equipment

*G-8 recommended the transfer of 32,068 pieces of equipment within Army RCs, valued at approximately \$877.8 million, without a proposal plan.*

requirements to G-8. G-8 reviewed the list of equipment requirements and proposed the best approach to fulfill the equipment requirements to G-3. G-3 provided Army RCs a fragmentary order directing the equipment transfer when G-3 agreed to fulfill equipment requirements through TPE or Army RC equipment transfers. Fragmentary orders inform Army RCs when and where to transfer required equipment. For example, G-8 recommended the transfer of 12 CH-47D helicopters, valued at \$60 million. The helicopters were physically located in Afghanistan, and G-8 recommended that an ARNG unit leave its helicopters behind for a follow-on ARNG unit. However, G-8 did not prepare a proposal plan or receive the SECDEF’s approval for the equipment transfers within Army RCs. As a result, Army RCs may lose accountability of their equipment levels if they continue to transfer equipment without proposal plans. Additionally, Army RCs have a diminished ability to respond to State or local emergencies because of a loss of equipment.

### ***G-8 and Army Reserve Components’ Interpretation of the Directive***

~~(FOUO)~~ G-8 and Army RCs inappropriately determined that proposal plans were not required for equipment transferred within Army RCs for the purpose of mobilization. Although the Directive identifies that any equipment transferred from Army RCs requires compliance with the Directive, it does not clearly state that equipment transfers within Army RCs should be included. Army requested a legal review to determine if TPE transfers required a proposal plan. On December 29, 2009, the Office of the Army Judge Advocate General concluded that compliance with the Directive is required regardless of the component that will subsequently receive the equipment. Additionally, the Office of the Army Judge Advocate General concluded that TPE is not an exception to the Directive, and all equipment transfers for the purpose of mobilization within Army RCs should comply with the Directive. We agree with the Office of the Army Judge Advocate General conclusion that all equipment transfers for the purpose of mobilization within Army RCs should comply with the Directive. Notwithstanding, G-8 stated that it did not prepare proposal plans for equipment transfers within Army RCs because the

~~(FOUO)~~ equipment did not leave Army RCs possession. Additionally, Army RCs considered equipment transfers within Army RCs for the purpose of mobilization to be everyday business transactions that did not require proposal plans. In accordance with the Directive, G-8 and Army RCs should have prepared proposal plans for the 203,929 pieces of equipment. Accordingly, G-8 should conduct a review with Army RCs to determine the need to replace the 203,929 pieces of equipment transferred without proposal plans. For equipment that needs to be replaced, G-8 should prepare a proposal plan and obtain the SECDEF's approval for the proposal plan. G-8 and Army RCs should also prepare proposal plans and obtain the SECDEF's approval for future equipment transfers for the purpose of mobilization within Army RCs.

## **Management Actions to Clarify Equipment Transfers Made Within Army Reserve Components**

As of May 2012, ASD (RA) was creating a new DoD Instruction 1225.06, "Equipping the Reserve Forces," (Instruction) to clarify equipment transfers within Army RCs. The new Instruction will require proposal plans for Military Departments or the Combatant Commander directed TPE transfers. However, the new ASD (RA) Instruction does not require proposal plans for all equipment transfers within Army RCs, as required by the Directive. Rather, the new Instruction requires a 90-Day Equipment Movement Report to capture equipment transfers within Army RCs for the purpose of mobilization. In addition, the new Instruction does not require SECDEF-approved proposal plans or a plan to replace the transferred equipment. If issued as is, Army RCs risk not receiving replacement equipment, which may impact their ability to perform their missions. The new Instruction should include requirements established in the Directive before issuance.

The Under Secretary of Defense for Personnel and Readiness issued DoD Instruction 1225.06 on May 16, 2012. The Acting Principal Deputy, ASD (RA) stated that the intention of the instruction was to require proposal plans for all equipment transfers for the purpose of mobilization. However, the new instruction is still unclear relating to intra-component equipment transfers for the purpose of mobilization. DoD Instruction 1225.06 should specify that proposal plans are required for intra-component equipment transfers for the purpose of mobilization.

## **Army National Guard Equipment Transfers Made to Army Active Component Without Proposal Plans**

Army officials did not implement accountability procedures to verify the replacement of ARNG equipment transferred to Army AC. ARNG transferred 68 pieces of equipment, valued at approximately \$39.7 million, to Army AC without a proposal plan because G-8 did not follow the requirement for a proposal plan. According to the draft "DoD Directive 1225.6 Request Review Process," flowchart and Army officials, G-8 is responsible for proposing how Army AC equipment requirements should be resourced. In some cases, G-8 may determine that the most efficient way to fulfill

*ARNG transferred 68 pieces of equipment, valued at approximately \$39.7 million, to Army AC without a proposal plan because G-8 did not follow the requirement for a proposal plan.*

Army AC requirements is by transferring equipment directly to Army AC. For example, G-8 recommended the transfer of 6 OH-58D Kiowa helicopters, valued at approximately \$24.5 million, between a Tennessee ARNG unit and Army AC. However, G-8 did not prepare a proposal plan for the transferred ARNG equipment.

G-8 stated it transferred equipment without a proposal plan, if the equipment would be returned within 90 days. However, an ARNG representative stated that the 68 pieces of ARNG equipment were not returned within 90 days. For example, the Tennessee ARNG unit provided helicopters to Army AC on May 1, 2010, but Army AC did not return them to the ARNG unit as of April 2012. The requirement for a proposal plan is a control mechanism to achieve transparency of Army RCs equipment transfers and replacements. Therefore, G-8 should not have disregarded the requirement and prepared proposal plans for the 68 pieces of equipment. G-8 should conduct a review with ARNG to determine the need to replace the 68 pieces of equipment transferred without proposal plans. For equipment that needs to be replaced, G-8 should prepare a proposal plan and obtain the SECDEF's approval for the proposal plan. G-8 should also prepare proposal plans and obtain the SECDEF's approval for future transfers from Army RCs to the Army AC.

## **Timeliness of Initiation of Proposal Plan Approval Process**

Army officials did not implement accountability procedures to verify the replacement of Army RCs equipment transferred between the Army AC and other Army RCs. Army RCs transferred 1,203 pieces of equipment, valued at approximately \$186.6 million, to

*Army RCs transferred 1,203 pieces of equipment, valued at approximately \$186.6 million, to Army AC and other Army RCs before obtaining SECDEF approval because G-8 did not initiate the approval process in a timely manner.*

Army AC and other Army RCs before obtaining SECDEF approval because G-8 did not initiate the approval process in a timely manner. Since July 19, 2008, G-8 recommended Army RCs transfer 1,203 pieces of equipment in five proposal plans. G-8 prepared five proposal plans that requested the transfer of helicopters;

flat racks;<sup>7</sup> ribbon bridges;<sup>8</sup> and equipment in the command, control, communications, computers, intelligence, surveillance and reconnaissance category. Of the 1,203 pieces of equipment, USAR transferred 755 pieces of equipment while ARNG transferred the remaining 448 pieces of equipment. G-8 recommended the equipment transfers before the SECDEF's approval. G-8 identified that these equipment transfers were for emerging requirements. G-8 identified an emerging requirement as any equipment requirement that is needed within 90 days. However, an Army representative stated G-3 typically provided sufficient notice for G-8 to fulfill the equipment requirements through approved proposal plans.

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<sup>7</sup> Flat racks are demountable platforms that enable materials and containers to be transported by trucks and other specialized heavy ground equipment.

<sup>8</sup> Ribbon bridges are floating bridges used by the Army to provide temporary crossing capabilities for combat vehicles and trucks.

G-8 did not initiate the approval process upon notification of the equipment requirement. Army representatives stated G-3 typically provided 6 to 9 months of advanced notice to G-8 for equipment requirements. For example, G-3 notified G-8 in October 2009 of a requirement for flat racks. G-3 required Army RCs transfer the flat racks by May 2010. However, G-8 did not initiate the proposal plan for the equipment transfer until August 2010, almost 3 months after the required date. G-3 provided sufficient notice for G-8 to fulfill the equipment requirement through approved proposal plans. Although the SECDEF eventually approved all five proposal plans, the Directive requires prior approval because obtaining the SECDEF's approval after-the-fact would create a temporary loss of equipment visibility.

## **Management Actions Related to the Initiation of the Approval Process for Equipment Transfer Proposal Plans**

ASD (RA) and G-8 worked together to establish a formal process initiating the approval process for equipment transfer proposal plans. The formal process will identify when G-8 should initiate the proposal plan process. However, ASD (RA) did not finalize or implement the process. ASD (RA) should finalize and implement formal policies identifying when the approval process for equipment transfer proposal plans should be initiated. Furthermore, G-8 should initiate the approval process for equipment transfer proposal plans in accordance with the new policies established by ASD (RA).

## **Ineffective Accountability of Army Reserve Components Replacement Equipment**

Army officials did not implement accountability procedures to verify the replacement of Army RCs equipment transferred between Army AC and Army RCs. ASD (RA), G-8, and Army RCs could not accurately account for the replacement of 34,132 pieces of

*ASD (RA), G-8, and Army RCs could not accurately account for the replacement of 34,132 pieces of Army RCs equipment, valued at approximately \$3.2 billion...*

Army RCs equipment, valued at approximately \$3.2 billion, transferred to Army AC and other Army RCs because ASD (RA), G-8, and Army RCs informal processes were not effective for verifying equipment replacements. G-8 and Army RCs agreed to review the requirement to replace

85,300 pieces of equipment that were transferred from Army RCs for mobilization between 2003 and 2008. G-8 and Army RCs determined that 51,168 pieces of equipment would not be replaced because they were either repaid with funds that were tracked or the equipment was obsolete or excess and would not be replaced. G-8 and Army RCs determined that the remaining 34,132 pieces of equipment required replacement. Of the 34,132 pieces of equipment, USAR transferred 21,293 pieces of equipment while ARNG transferred the remaining 12,839 pieces of equipment. However, ASD (RA), G-8, and Army RCs could not identify whether the Army had already replaced the 34,132 pieces of Army RCs equipment. Table 2 on page 11 depicts a summary of the review of equipment transferred between 2003 and 2008.



**Table 2. Review of Equipment Transferred Between 2003 and 2008**

<b>Determination</b>	<b>Pieces of Army RCs Equipment</b>	<b>Value (millions)</b>
Do Not Replace	51,168	\$1,763.5
Replace	34,132	\$3,205.8
<b>Total</b>	<b>85,300</b>	<b>\$4,969.3</b>

ASD (RA), G-8, and Army RCs informal processes were not effective for verifying equipment replacements. G-8 and Army RCs used electronic spreadsheets that listed information for each equipment transfer. The spreadsheets included Line Item Number, equipment description, quantity of the transferred equipment, and the status of the replacement. However, G-8 and Army RCs did not provide any detail to track the replacement of transferred equipment in their electronic spreadsheets. Also, Army RCs were unable to distinguish between equipment received for normal distribution and equipment received for the completion of a replacement plan.

G-8 also used existing data from multiple systems to track normal distribution and equipment received for the completion of a replacement plan. According to an Army representative, USAR and ARNG worked independently and used different systems to track the replacement of equipment. Specifically, Army systems did not include enough information to track the replacement of transferred equipment required by the Directive. Accordingly, ASD (RA), G-8, and Army RCs could not identify whether Army RCs received replacement equipment. G-8 should take the appropriate action to replace the 34,132 pieces of equipment transferred between 2003 and 2008.

## **Management Actions Related to the Tracking of Army Reserve Components Equipment Replacement**

ASD (RA) initiated a policy requiring the Secretaries of each Military Department to submit quarterly closure reports to ASD (RA) indicating when equipment has been replaced. These reports may strengthen ASD (RA) ability to track equipment replacements. The policy should improve ASD (RA), G-8, and Army RCs ability to verify equipment replacements for the 34,132 pieces of equipment transferred between 2003 and 2008 and the 1,203 pieces of transferred equipment on five proposal plans approved since July 19, 2008. In addition, the policy will improve the ability to verify equipment replacements for future Army RCs equipment transfers captured on approved proposal plans. ASD (RA) should finalize and issue formal policies and procedures to account for equipment replacement provided as a result of approved equipment transfer proposal plans. Additionally, G-8 and Army RCs need to create implementing guidance to follow the policies issued by ASD (RA) regarding the accountability of replaced equipment.

## Army Needs a Central Repository to Track Army Reserve Components Equipment Transfers

Army could not determine the total amount of Army RCs equipment transfers for the purpose of mobilization because it did not maintain a central repository of Army RCs

*Army could not determine the total amount of Army RCs equipment transfers...because it did not maintain a central repository of Army RCs equipment transfers.*

equipment transfers. In September 2011, the audit team requested the Army provide a universe of Army RCs equipment transfers made for the purpose of mobilization. Army RCs did not know the total number of transfers made for the purpose of mobilization. In addition, Army RCs stated that the total number of equipment

transfers was not maintained in a single database. In October 2011, Army RCs provided numerous spreadsheets that we consolidated to create a single list. The audit team analyzed the data to determine whether it contained equipment transfers made by both USAR and ARNG. In February 2012, Army RCs informed the audit team it needed to reconstruct data related to a section of the list due to a difference in methodology used by individuals that pulled the data together. Army RCs provided the corrected section of the list in February 2012. After combining the new section of the list to the sections previously obtained, Army RCs identified that it transferred 290,500 pieces of equipment, valued at approximately \$7.6 billion. In March 2012, G-8 provided a list of 2,960,745 pieces of Army RCs equipment transferred to ARNG, valued at approximately \$1.3 billion. The G-8 list did not include any transfers of Army RCs equipment made to USAR. G-8 created the list by pulling information from property transfer records within the Property Book Unit Supply Expanded and Mobilization and Deployment Information System. However, the equipment data did not differentiate between equipment transfers for the purpose of mobilization and equipment transfers for other purposes.

ASD (RA) is responsible for the overall supervision of Army RC matters and must make certain that Army RCs have the equipment necessary to complete their dual mission. As discussed, the Directive requires that Army RC equipment transfers for the purpose of mobilization include replacement plans. If ASD (RA) had full visibility of equipment transfers for the purpose of mobilization, it could fulfill its oversight responsibilities, confirming that equipment was replaced and that Army RCs had the equipment necessary to complete their dual mission. ASD (RA) should develop a central repository to track all equipment transfers made for the purpose of mobilization to ensure that equipment is replaced.

### Conclusion

Army RCs have lost transparency of their equipment transfers and may experience equipment shortages that could hinder their ability to train soldiers and respond to Federal, State, or local emergencies. Army RCs inability to properly respond to emergencies, such as storms, mudslides, fires, earthquakes, or civil disturbances could put the safety and well-being of U.S. citizens at risks. Army RCs may have equipment shortages because G-8 and Army RCs did not prepare proposal plans to replace 203,997 pieces of equipment, valued at approximately \$2.4 billion. Army RCs also may

have equipment shortages because they transferred 1,203 pieces of equipment, valued at approximately \$186.6 million, without obtaining timely SECDEF approval. Additionally, ASD (RA), G-8, and Army RCs could not identify whether 34,132 pieces of equipment, valued at approximately \$3.2 billion, was actually replaced, potentially contributing to equipment shortages.

## **Recommendations, Management Comments, and Our Response**

### ***Deleted and Renumbered Recommendations***

As a result of management comments, we deleted draft Recommendation 1.a and renumbered Draft Recommendations 1.b, 1.c, 1.d, and 1.e to Recommendations 1.a, 1.b, 1.c, and 1.d, respectively. Recommendation 1.a required ASD (RA) to revise DoD Directive 1225.6 to clarify that equipment transfers for the purpose of mobilization within Army RCs require SECDEF approved proposal plans. However, DoD Directive 1225.6 was superseded by the implementation of DoD Instruction 1225.06 on May 16, 2012.

#### **1. We recommend that the Assistant Secretary of Defense for Reserve Affairs:**

**a. Update and issue the new DoD Instruction 1225.06, “Equipping the Reserve Forces,” to include the requirements established in DoD Directive 1225.6, “Equipping the Reserve Forces,” April 7, 2005.**

### ***Assistant Secretary of Defense for Reserve Affairs Comments***

The Acting Principal Deputy, ASD (RA), responding on behalf of ASD (RA), agreed and stated that DoD Instruction 1225.06 covers all transfers of the RCs equipment for the purpose of mobilization. Specifically, DoD Instruction 1225.06, paragraph 4(e) states that proposals for withdrawals, reductions, or loans of any equipment from RCs, together with an equipment replacement plan for the removed equipment and a memorandum of agreement signed by both the losing and gaining components, shall be forwarded for SECDEF approval before the transfer of equipment. Corrective action was completed on May 16, 2012, when the Under Secretary of Defense for Personnel and Readiness issued DoD Instruction 1225.06.

### ***Our Response***

Comments from the Acting Principal Deputy, ASD (RA) were partially responsive. The Under Secretary of Defense for Personnel and Readiness issued DoD Instruction 1225.06 on May 16, 2012. The new instruction is still unclear relating to intra-component equipment transfers for the purpose of mobilization. The Acting Principal Deputy, ASD (RA) stated that the intention of the instruction was to require proposal plans for all equipment transfers for the purpose of mobilization. However, the Director, ARNG stated that DoD Instruction 1225.06 does not apply to intra-component equipment transfers. The Acting Principal Deputy, ASD (RA) should update the DoD Instruction 1225.06 to specify that proposal plans are required for intra-component

equipment transfers for the purpose of mobilization. We request that the Acting Principal Deputy, ASD (RA), provide comments on the final report.

**b. Finalize and implement formal policies identifying when the approval process for equipment transfer proposal plans should be initiated.**

***Assistant Secretary of Defense for Reserve Affairs Comments***

The Acting Principal Deputy, ASD (RA), responding on behalf of ASD (RA), agreed and stated that ASD (RA) is working with the Military Services to develop a process for initiating and submitting equipment transfers for routine transfers and urgent transfer requests to meet critical warfighter requirements. He agreed to take corrective action by September 30, 2012.

***Our Response***

Comments from the Acting Principal Deputy, ASD (RA) were responsive, and no further comments are required.

**c. Finalize and issue formal policies and procedures to verify and account for equipment replacement provided as a result of approved equipment transfer proposal plans.**

***Assistant Secretary of Defense for Reserve Affairs Comments***

The Acting Principal Deputy, ASD (RA), responding on behalf of ASD (RA), agreed and stated that DoD Instruction 1225.06, Enclosure 3, paragraph 1(b), requires the Military Departments submission of a replacement plan and memorandum of agreement to ASD (RA) to be forwarded to SECDEF for approval. DoD Instruction 1225.06 also requires the Military Departments to submit closure reports notifying ASD (RA) when equipment has been replaced. The Acting Principal Deputy, ASD (RA) stated that corrective action was completed on May 16, 2012, when the Under Secretary of Defense for Personnel and Readiness, issued DoD Instruction 1225.06.

***Our Response***

Comments from the Acting Principal Deputy, ASD (RA) were responsive, and no further comments are required.

**d. Develop a central repository to track all equipment transfers made for the purpose of mobilization to ensure that equipment is replaced.**

***Assistant Secretary of Defense for Reserve Affairs Comments***

The Acting Principal Deputy, ASD (RA), responding on behalf of ASD (RA), agreed and stated that ASD (RA) will maintain a central repository to track equipment transfers and their respective replacement plans. Also, ASD (RA) will hold annual meetings with each Service to verify that equipment replacements are on track and do not require modifications. The Acting Principal Deputy, ASD (RA), stated that corrective action was completed on May 16, 2012.

## ***Our Response***

Comments from the Acting Principal Deputy, ASD (RA) were responsive, and no further comments are required.

### **2. We recommend that the U.S. Army Deputy Chief of Staff, G-8:**

**a. Conduct a review with Army Reserve Components to determine the requirement to replace the 203,929 and 68 pieces of equipment transferred without proposal plans. For equipment that needs to be replaced, prepare a proposal plan and obtain the Secretary of Defense's approval for the proposal plan.**

### ***Department of the Army, G-8 Comments***

The Assistant Deputy Chief of Staff, G-8, responding on behalf of the U.S. Army Deputy Chief of Staff, G-8, agreed and stated that the DoD Instruction 1225.06 Integrated Process Team will work with equipment managers to determine if equipment replacement is necessary for 68 pieces of equipment. The DoD Instruction 1225.06 Integrated Process Team will forward any resulting replacement plans to ASD (RA) by September 15, 2012.

## ***Our Response***

Comments from the Assistant Deputy Chief of Staff, G-8 were partially responsive. The Assistant Deputy Chief of Staff, G-8 adequately addressed the review of 68 pieces of transferred equipment. However, he did not address how it would conduct a review with Army RCs to determine the requirement to replace, if necessary, the additional 203,929 pieces of equipment transferred without proposal plans. Therefore, we ask the Assistant Deputy Chief of Staff, G-8 to provide additional comments to the final report.

**b. Adhere to the requirement to prepare proposal plans and obtain the Secretary of Defense approval for future equipment transfers for the purpose of mobilization within Army Reserve Components and future transfers from Army Reserve Components to Army Active Component.**

### ***Department of the Army, G-8 Comments***

The Assistant Deputy Chief of Staff, G-8, responding on behalf of the U.S. Army Deputy Chief of Staff, G-8, agreed for post-mobilization equipment transfers, but disagreed for pre-mobilization equipment transfers. He stated that since the initiation of the report, DoD Instruction 1225.06 has replaced DoD Directive 1225.6. The Assistant Deputy Chief of Staff, G-8 agreed to implement the requirements of DoD Instruction 1225.06, which was published on May 16, 2012. He stated that the new guidance requires a quarterly report including pre-mobilization transfers submitted by the Service Secretary to ASD (RA). However, the Assistant Deputy Chief of Staff, G-8 stated that DoD Instruction 1225.06 does not require a replacement plan or SECDEF approval for these types of transfers. The Army makes bulk allocation of equipment to the RCs. Pre-mobilization transfers and reporting under DoD Instruction 1225.06 shall remain the authority and responsibility of RCs.



## ***Our Response***

Comments from the Assistant Deputy Chief of Staff, G-8 were partially responsive. The Assistant Deputy Chief of Staff, G-8 agreed to follow DoD Instruction 1225.06. He did not agree that pre-mobilization RCs equipment transfers required a replacement plan and SECDEF approval. However, the Acting Principal Deputy, ASD (RA) stated that DoD Instruction 1225.06, paragraph 4(e) covers all transfers of RCs equipment. Specifically, DoD Instruction 1225.06, paragraph 4(e) states that proposals for withdrawals, reductions, or loans of any equipment from RCs, together with an equipment replacement plan for the removed equipment and a memorandum of agreement signed by both the losing and gaining components, shall be forwarded for SECDEF approval before the transfer of equipment. This includes equipment transfers made within RCs. The Acting Principal Deputy, ASD (RA) also stated that DoD Instruction 1225.06, Enclosure 3, paragraph 1(b), requires the Military Departments submission of a replacement plan and memorandum of agreement to ASD (RA) to be forwarded to SECDEF for approval. Finally, DoD Instruction 1225.06 requires the Military Departments to submit closure reports notifying ASD (RA) when equipment has been replaced. Therefore, Army G-8 should adhere to the requirement to prepare proposal plans and obtain SECDEF approval for pre-mobilization equipment transfers. We request that the Assistant Deputy Chief of Staff, G-8 reconsider his position on the recommendation and provide comments on the final report.

**c. Initiate the approval process for equipment transfer proposal plans in accordance with the new policies established in Recommendation 1.b.**

## ***Department of the Army, G-8 Comments***

The Assistant Deputy Chief of Staff, G-8, responding on behalf of the U.S. Army Deputy Chief of Staff, G-8, agreed. He indicated that the Army developed a post-mobilization equipment transfer process within an All Army Activities message and will provide a copy of the message to the audit team. The Assistant Deputy Chief of Staff, G-8 stated that both the Under Secretary of Defense for Personnel and Readiness and ASD (RA) have approved the process.

## ***Our Response***

Comments from the Assistant Deputy Chief of Staff, G-8 were partially responsive. The equipment transfer process addresses the initiation of a proposal plan for equipment transferred post-mobilization. However, the Assistant Deputy Chief of Staff, G-8 did not develop a process for pre-mobilization equipment transfers as required by DoD Instruction 1225.06. DoD Instruction 1225.06, paragraph 4(e) covers all transfers of RCs equipment. Therefore, Army G-8 should develop a transfer process for pre-mobilization equipment transfers as required by DoD Instruction 1225.06. We request that the Assistant Deputy Chief of Staff, G-8 reconsider his position on the recommendation and provide additional comments on the final report.

**d. Take appropriate action to replace the 34,132 pieces of equipment transferred between 2003 and 2008.**

***Department of the Army, G-8 Comments***

The Assistant Deputy Chief of Staff, G-8, responding on behalf of the U.S. Army Deputy Chief of Staff, G-8, agreed and stated that the Army will continue its current effort to replace equipment transferred between 2003 and 2008, and will complete the action by September 30, 2015.

***Our Response***

Comments from the Assistant Deputy Chief of Staff, G-8 were responsive, and no further comments are required.

**e. Create implementing guidance to follow the policies issued by the Assistant Secretary of Defense for Reserve Affairs regarding the accountability of replaced equipment referenced in Recommendation 1.c.**

***Department of the Army, G-8 Comments***

The Assistant Deputy Chief of Staff, G-8, responding on behalf of the U.S. Army Deputy Chief of Staff, G-8, agreed and stated that the Army will support ASD (RA) policies and will create implementing guidance upon publication.

***Our Response***

Comments from the Assistant Deputy Chief of Staff, G-8 were responsive, and no further comments are required.

**3. We recommend that the Chief of Staff, U.S. Army Reserve and the Director, Army National Guard:**

**a. Prepare proposal plans and obtain the Secretary of Defense's approval for future equipment transfers made for the purpose of mobilization within Army Reserve Components.**

***U.S. Army Reserve Comments***

The Chief of Staff, USAR Command, disagreed with the recommendation. The Chief of Staff, USAR Command, stated that requiring SECDEF approval for routine cross-leveling of equipment in support of mission requirements would impact the mobilization of USAR units, impede daily operations, reduce readiness, and degrade the capabilities of USAR as an operational force. Additionally, the Chief of Staff, U.S. USAR Command, stated that the transfer of organization and installation property is the responsibility of the commander and requiring SECDEF approval for pre-mobilization equipment transfers would strip the commander of this authority.

### ***Our Response***

Comments from the Chief of Staff, USAR Command were not responsive. The Chief of Staff, USAR Command stated that requiring SECDEF approval for routine cross-leveling of equipment in support of mission requirements would negatively impact the capabilities of USAR as an operational force. Army RCs use a 5-year process to schedule deployments and identify equipment requirements. Army RCs identify equipment requirements and transfer equipment during the 5-year process to ready troops for deployment. The 5-year process provides sufficient notice to fulfill the equipment requirement through approved proposal plans. Additionally, as indicated in the finding, Army RCs were unable to identify equipment transfers made for the purpose of mobilization. By obtaining approved proposal plans before transferring equipment for the purpose of mobilization, Army RCs would increase accountability and transparency of their RC equipment.

Although the transfer of organization and installation property is the responsibility of the commander, the Under Secretary of Defense for Personnel and Readiness issued DoD Instruction 1225.06 which requires SECDEF approval of equipment transferred for the purpose of mobilization. We request that the Chief of Staff, USAR Command reconsider his position on the recommendation and provide additional comments on the final report.

### ***Army National Guard Comments***

The Director, ARNG disagreed with the recommendation. He stated that neither the old DoD Directive 1225.6, April 7, 2005, nor the new DoD Instruction 1225.06, May 16, 2012, requires SECDEF approval of equipment transfers made within the same RC prior to a mobilization, or more broadly, “for the purpose of mobilization.” The Director, ARNG also stated that unless the equipment is directed to be transferred outside ARNG, or left behind after a mobilization, it remains under the control of ARNG and, therefore, does not require replacement plans or special approvals for equipment transfer. He stated that requiring a Memorandum of Agreement for routine equipment transfers would prove prohibitive to the equipping and readiness needs of ARNG.

~~(FOUO)~~ The Director, ARNG stated the 2009 Army Office of the Judge Advocate General opinion was issued in response to a request for a legal review of the Operation Enduring Freedom Theatre Provided Equipment Execution Order #058-10 by Headquarters, Department of Army personnel. He stated the opinion is purposely narrow in scope and was requested to determine if legal concerns existed within Department of Army Execution Order #058-10 for Operation Enduring Freedom Equipment guidance. The Director, ARNG stated the 2009 Army Office of the Judge Advocate General opinion states intra-component transfers must comply with DoD Directive 1225.6, but did not necessarily mean SECDEF approval and a Memorandum of Agreement were required for intra-component transfers made before mobilization.

## ***Our Response***

Comments from the Director, ARNG were not responsive. He disagreed that proposal plans and SECDEF's approval were required for equipment transfers made for the purpose of mobilization. Although the Director, ARNG disagreed, the Acting Principal Deputy, ASD (RA) stated that DoD Instruction 1225.06, paragraph 4(e) covers all transfers of RCs equipment. Specifically, DoD Instruction 1225.06, paragraph 4(e) states that proposals for withdrawals, reductions, or loans of any equipment from RCs, together with an equipment replacement plan for the removed equipment and a memorandum of agreement signed by both the losing and gaining components, shall be forwarded for SECDEF approval before the transfer of equipment. Army RCs were unable to identify equipment transfers made for the purpose of mobilization. The audit identified that Army RCs transferred 203,997 pieces of equipment for the purpose of mobilization, valued at approximately \$2.4 billion, to Army AC and other Army RCs without the required SECDEF approval. Army RCs lost transparency of their equipment transfers and may experience equipment shortages that could hinder their ability to train soldiers and respond to Federal, State, or local emergencies. We request that the Director, ARNG reconsider his position on the recommendation and provide additional comments on the final report.

**b. Create implementing guidance to follow the policies issued by the Assistant Secretary of Defense for Reserve Affairs regarding the accountability of replaced equipment referenced in Recommendation 1.c.**

## ***U.S. Army Reserve Comments***

The Chief of Staff, USAR Command disagreed with the recommendation. He stated that requiring SECDEF approval for routine cross-leveling of equipment in support of mission requirements would impact the mobilization of USAR units, impede daily operations, reduce readiness, and degrade the capabilities of USAR as an operational force.

## ***Our Response***

Comments from the Chief of Staff, USAR Command were not responsive. He stated that requiring SECDEF approval for routine cross-leveling of equipment in support of mission requirements would negatively affect the capabilities of USAR as an operational force. Contrary to the Command's position, the Army RCs identify equipment requirements and transfer equipment during the 5-year process to ready troops for deployment which provides sufficient notice to fulfill the equipment requirements through approved proposal plans.

Although the Chief of Staff, USAR Command disagreed with the recommendation to create implementing guidance, Army RCs, without implementing guidance, were unable to identify equipment requiring replacement. Creating implementing guidance to follow policies and procedures established within DoD Instruction 1225.06 to verify and account for equipment replacement would enable the U.S. Army RCs to track all equipment

transfers and ensure that equipment is replaced. Therefore, we request the Chief of Staff, USAR Command reconsider his position on the recommendation and provide additional comments on the final report.

***Army National Guard Comments***

The Director, ARNG agreed and stated that once ASD (RA) issues policies the ARNG will draft correlative implementing guidance.

***Our Response***

Comments from the Director, ARNG were responsive, and no further comments are required.



## Appendix A. Scope and Methodology

We conducted this performance audit from August 2011 through June 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether Army has transparency and accountability for equipment transferred between Army AC and Army RCs, we reviewed Army RCs equipment transfers that occurred from 2003 through September 2011, and determined if they followed the DoD Directive 1225.6, "Equipping the Reserve Forces," April 7, 2005. In October 2011, Army RCs provided a universe of Army RCs equipment transfers made for the purpose of mobilization. In February 2012, Army RCs informed the audit team that it needed to reconstruct data related to a section of the audit universe due to a difference in methodology used by individuals that pulled the data. Army RCs provided the updated audit universe in February 2012. Army RCs identified that it transferred 290,500 pieces of equipment, valued at approximately \$7.6 billion. USAR personnel provided equipment transfer data from the Force and Asset Search Tool, Reserve End Item Management System, and Federal Logistics Data on Portable Media. ARNG personnel provided equipment transfer data that included information from Property Book Unit Supply Enhanced and Army Readiness Equipment Module. Army and Army RCs were unable to provide equipment values for 6,576 pieces of equipment. During March 2012, G-8 identified that the Army RCs transferred 2,960,749 pieces of equipment, valued at approximately \$1.3 billion. However, the data provided by G-8 included equipment transfers other than transfers for the purpose of mobilization and only included Army RCs equipment transfers to ARNG. Since G-8 provided the universe data 7 months after it was requested and because the G-8 data was not an accurate equipment universe, the audit team used the data provided by Army RCs.

Army equipment valuation has been a recurring material weakness for the Army. Army personnel provided the equipment values contained here and throughout the report. The audit team did not validate these values. As identified, Army RCs transferred the 290,500 pieces of equipment to Army AC and other Army RCs in the following categories:

- 203,997 pieces of equipment, valued at approximately \$2.4 billion, without proposal plans since 2008;
- 1,203 pieces of equipment, valued at approximately \$186.6 million, with proposal plans since 2008; and
- 85,300 pieces of equipment, valued at approximately \$5 billion, with proposal plans from 2003 through 2008.

To accomplish the audit objectives, we:

- contacted personnel from ASD (RA) to identify the DoD Directive 1225.6, requirements and Army's approval process for proposal plans;
- reviewed the DoD Directive 1225.6 to determine the process that must be followed when transferring Army RCs equipment for the purpose of mobilization;
- obtained and reviewed documentation explaining Army's approval process, legal interpretations from the Office of the Army Judge Advocate General, the new DoD Instruction 1225.06, "Equipping the Reserve Forces," and notifications indicating that Army had advance knowledge of future equipment requirements;
- obtained lists provided by ASD (RA) of Army RCs equipment transfers from 2003 through 2008, approved Army RCs proposal plans, and reports on withdrawal or diversion of equipment from Reserve units. The quarterly reports contained lists of equipment transferred from Army RC units during the previous 90-day period;
- contacted the Department of the Army personnel from G-3, G-8, USAR, and ARNG to determine their roles and responsibilities and Army's approval process for proposal plans;
- obtained and reviewed a draft "DoD Directive 1225.6 Request Review Process," flowchart of the approval process and held meetings with Army personnel to gain an understanding of their roles in the approval process;
- obtained lists provided by Army Components of equipment transfers from 2003 through September 2011, reports on withdrawal or diversion of equipment from Reserve units, and equipment transfer documentation to include shipping documents, bills of lading, and the Department of the Army Form 3161, "Request for Issue or Turn-In;"
- compared the ASD (RA) and Army Component lists to identify a listing of Army RCs equipment transfers; and
- verified that proposal plans included replacement plans and that the SECDEF's approval was obtained before equipment transfer.

## **Use of Computer-Processed Data**

Army RCs provided numerous spreadsheets that required consolidation to create a list of 290,500 pieces of Army RC equipment, valued at \$7.6 billion. USAR provided equipment transfer data that included information from Force and Asset Search Tool, Reserve End Item Management System, and Federal Logistics Data on Portable Media. ARNG provided equipment transfer data that included information from Property Book Unit Supply Enhanced and Army Readiness Equipment Module. We compared the created list to an ASD (RA) list of equipment transfers to determine accuracy and completeness. Additionally, we obtained supporting documentation for some equipment transfers to include proposal plans, shipping documents, and property transfer forms, and concluded that the data was sufficiently reliable to accomplish our audit objective.

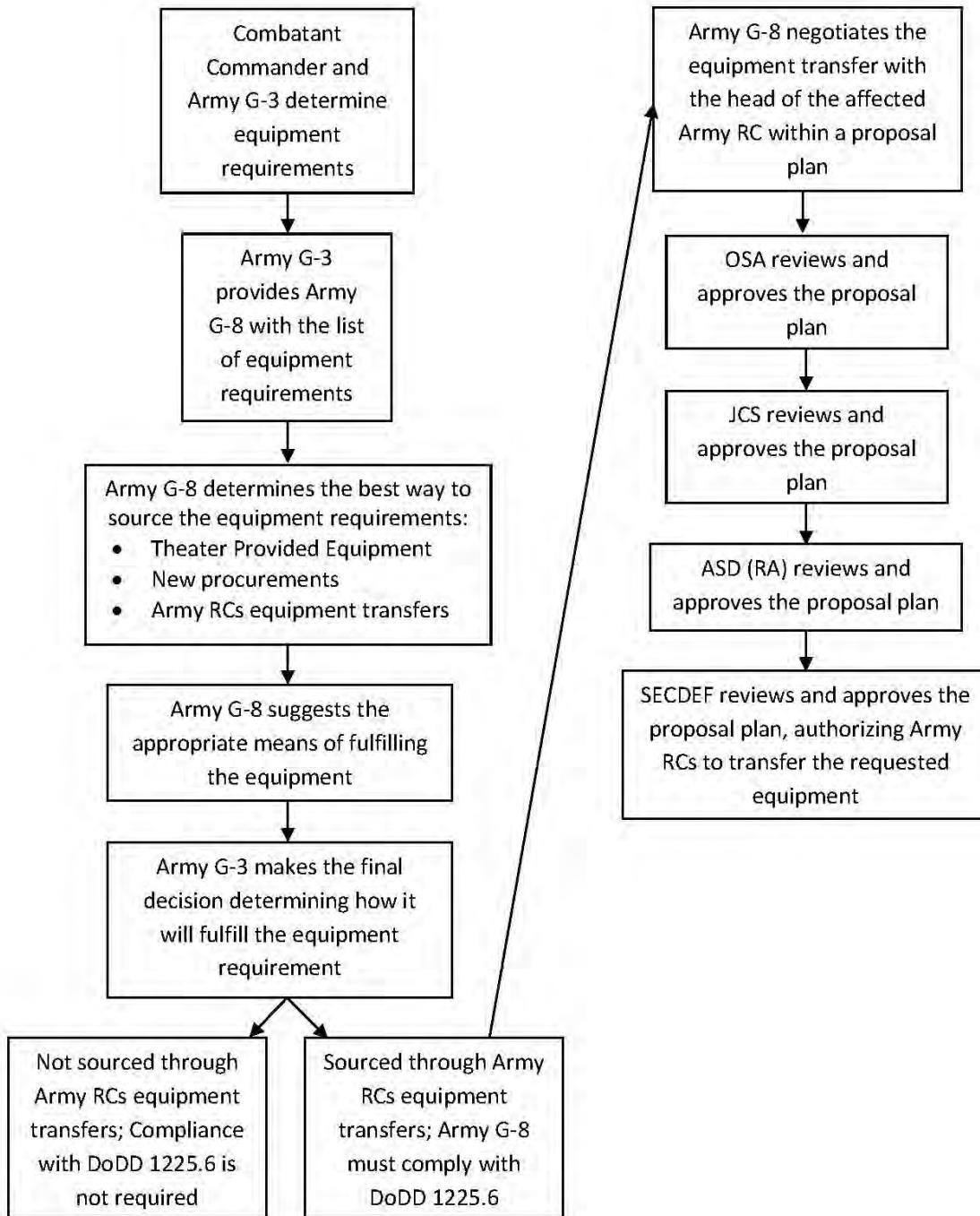
G-8 also provided equipment transfer data that included information from Property Book Unit Supply Enhanced and Mobilization and Deployment Information System. However, G-8 provided the data 7 months after it was requested and the data did not differentiate between equipment transfers for the purpose of mobilization and equipment transfers for other purposes. As a result, we did not use the data during our review.

## **Prior Coverage**

During the last 6 years, the Government Accountability Office (GAO) issued one report discussing the equipment readiness of the Reserve Forces. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>.

GAO Report No. GAO-07-60, “Reserve Forces: Actions Needed to Identify National Guard Domestic Equipment Requirements and Readiness,” January 26, 2007

## Appendix B. Diagram of Proposal Plan Approval Process



Source: ASD (RA).

# Assistant Secretary of Defense for Reserve Affairs Comments



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
1500 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1500

JUL 25 2012

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Office Assistant Secretary of Defense, Reserve Affairs Response to the Draft Report  
"Improvements Needed in Transparency and Accountability of U.S. Army Reserve  
Component Equipment Transfers" (Project No. D2011-D000AT-0274.000)

1. Thank you for the opportunity to provide comments. I have reviewed the audit report and wish to extend my appreciation to you and your staff for a job well done.
2. The recommendations will be most helpful as the Department continues to strive for full transparency and accountability of Reserve Component equipment. Specific responses to the applicable recommendations and additional comments are provided in the enclosure.
3. My point of contact for these comments is [REDACTED]

Sincerely,

Richard O. Wightman, Jr.  
Acting Principal Deputy

Enclosure:

As stated



ENCLOSURE 1

Assistant Secretary of Defense, Reserve Affairs  
Response to Draft DoDIG Report "Improvements Needed in Transparency and  
Accountability of U.S. Army Reserve Component Equipment Transfers"  
Project No. D2011-D000AT-0274.000

Page 13, Section "Recommendations" the report states:

I. We recommend that the Assistant Secretary of Defense Reserve Affairs (ASD (RA)):

a. Revise and issue DoD Directive (DoDD) 1225.06, "Equipping the Reserve Forces," April 7, 2005, to clearly state that equipment transfers for the purpose of mobilization within Army Reserve Components require Secretary of Defense approved proposal plans.

**ASD (RA) Response:** Nonconcur with comment. No action required. DoDD 1225.6 was superseded by the implementation of DoD Instruction 1225.06, approved May 16, 2012.

b. Revise and issue DoD Instruction (DoDI) 1225.06, "Equipping the Reserve Forces," to include the requirements established in the revised DoD Directive 1225.6, "Equipping the Reserve Forces," April 7, 2005, referenced in Recommendation 1a.

**ASD (RA) Response:** Concur. Recommendation Completed, 16 May 2012. DoDI 1225.06 as published covers all transfers of Reserve Component (RC) equipment including "for the purpose of mobilization" and clearly states in paragraph 4(e) that "Proposals for withdrawals, reductions, or loans of any equipment from the RCs, together with an equipment replacement plan for the removed equipment and a memorandum of agreement (MOA) signed by both the losing and gaining components, shall be forwarded for Secretary of Defense approval" prior to the transfer of equipment.

c. Finalize and implement formal policies identifying when the approval process for equipment transfer proposal plans should be initiated.

**ASD (RA) Response:** Concur. Completed by 30 SEP 2012. ASD (RA) is working diligently with the Services to develop processes for initiating and submitting equipment transfer proposals for both routine transfer actions and "expedited" urgent transfer requests to meet critical warfighter requirements. ICW ASD (RA) each Service is identifying "triggers" and determining "0" day for DoDI 1225.06 initiation.

d. Finalize and issue formal policies and procedures to verify and account for equipment replacement provided as a result of approved equipment transfer proposal plans.

**ASD (RA) Response:** Concur. Recommendation Completed, 16 May 2012. DoDI 1225.06 Enclosure 3 paragraph 1(b) requires the "The Military Departments to submit their endorsed "proposal to withdraw, reduce, transfer, or loan any equipment from the RCs, together

Deleted

Renumbered as  
Recommendation 1.a

Renumbered as  
Recommendation 1.b

Renumbered as  
Recommendation 1.c

## Final Report Reference

with an equipment replacement plan for the removed equipment and an MOA signed by both the losing and gaining components shall be submitted to ASD (RA) Materiel and Facilities Depurate for processing and forwarding to the Secretary of Defense for approval". Additionally, DoDI 1225.06 requires the Military Departments to submit closure reports notifying ASD (RA) when the equipment has been replaced.

To further enhance equipment transparency and traceability, DoDI 1225.06 requires the Military Departments to submit two separate equipment reports:

1. Equipment Transfer Report (ETR) – A semiannual report submitted by the Secretaries of the Military Departments to ASD (RA) not later than the 31st of July for the first 6 months of the calendar year and the 31st of January for last 6 months of the calendar year. This report will include equipment delivery to the RCs as per the P1-R/P-40.
2. Equipment Movement Report (EMR) - Quarterly reports submitted by the Secretaries of the Military Departments to ASD (RA) not later than the 20th of January, April, July, and October indicating transfers of equipment across the services and will include intra-component transfers (cross-leveling ARNG to ARNG) conducted prior to mobilization to ready RC units for deployment.

e. Develop a central repository to track all equipment transfers made for the purpose of mobilization to ensure that equipment is replaced.

**ASD (RA) Response: Concur. Recommendation Completed, 16 May 2012.** ASD (RA) will maintain a central repository to track equipment transfers and their respective replacement plans to ensure compliance with DoDI 1225.06. Furthermore, ASD (RA) will conduct an annual meeting with each Service to verify that MOAs are currently on track and does not require modifications.

Renumbered as  
Recommendation 1.d



# Department of Army, G-8 Comments



**DEPARTMENT OF THE ARMY**  
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-8  
700 ARMY PENTAGON  
WASHINGTON DC 20310-0700

DAPR-ZA

MEMORANDUM FOR Department of Defense Office of Inspector General,  
4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Improvements Needed in Transparency and Accountability of U.S. Army  
Reserve Component Equipment Transfers, Project No. D2011-D00AT-0274.000

1. The Army concurs with four out of the five recommendations outlined in the Department of Defense Office of Inspector General Audit report. The Army non-concurs with the recommendation for pre-mobilization transfers.
2. Recommendation 2.a.: Concur. The DoDI 1225.06 Integrated Process Team will work with equipment managers to determine if replacements are needed for the 68 pieces of equipment. The results and replacement plans will be forwarded to the Assistant Secretary of Defense for Reserve Affairs (ASD (RA)). The actions will be completed by 15 September 2012.
3. Recommendation 2.b.: Non-concur with recommendation for pre-mobilization transfers. Concur with recommendation for post mobilization transfers. Since the initiation of this report, Office of the Secretary of Defense has replaced the Department of the Defense (DoD) Directive. The Army will implement the requirements of Department of the Defense Instruction (DoDI) 1225.06 published 15 May 2012. The new guidance requires a quarterly report including pre-mobilization transfers submitted by the service secretary to the ASD (RA). However, the DoDI 1225.06 does not require a replacement plan or Secretary of Defense approval for these types of transfers. The Army makes bulk allocation of equipment to the Reserve Components. Pre-mobilization transfers and reporting under DoDI 1225.06 shall remain the authority and responsibility of the Reserve Components.
4. Recommendation 2.c.: Concur. The Army has developed a post-mobilization process in accordance with the DODI 1225.06 published 15 May 12. The Army process has received Under Secretary of Defense for Personnel and Readiness and ASD (RA) concurrence and is published as of 30 July 2012. Army will provide a copy of the All Army Activities message to the DoD IG Auditors.
5. Recommendation 2.d.: Concur. The Army will continue with its current effort to replace the 34,132 pieces of equipment transferred between 2003 and 2008 and complete the action by 30 September 2015.



DAPR-ZA

SUBJECT: Improvements Needed in Transparency and Accountability of U.S. Army Reserve Component Equipment Transfers, Project No. D2011-D00AT-0274.000

6. Recommendation 2.e.: Concur. The Army will support the ASD (RA)'s policies for accountability of replaced Reserve Component equipment and create implementing guidance following the policies. Army will complete this action upon the publication of ASD (RA)'s policies.

7. The point of contact for this action is [REDACTED]



DONALD C. TISON  
Assistant Deputy Chief of Staff, G-8

# U.S. Army Reserve Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
HEADQUARTERS, UNITED STATES ARMY RESERVE COMMAND  
4710 KNOX STREET  
FORT BRAGG, NC 28310-6010

AUG 24 2012

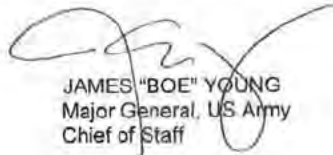
AFRC-IRR

MEMORANDUM FOR Office of the Inspector General, Department of Defense, 4800  
Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Department of Defense Inspector General Report, Draft Report  
Improvements Needed in Transparency and Accountability of US Army Reserve  
Component Equipment Transfers

1. The US Army Reserve provides the enclosed comments for the subject draft report.
2. For additional information contact: [REDACTED] or  
[REDACTED]

Encl

  
JAMES "BOE" YOUNG  
Major General, US Army  
Chief of Staff

**Recommendation 3a:** Prepare proposal plans and obtain the Secretary of Defense's approval for future equipment transfers made for the purpose of mobilization within Army Reserve Components.

**USAR Response: *NONCONCUR*.** The DODIG interpretation of DODD 1225.6 and DODI 1225.06 that all unit commanders must secure SECDEF approval for routine cross-leveling of equipment in support of mission requirements would impact the mobilization of Army Reserve units, impede daily operations, reduce readiness, and degrade the capabilities of the Army Reserve as an Operational Force.

**Recommendation 3b:** Create implementing guidance to follow the policies issued by the Assistant Secretary of Defense for Reserve Affairs regarding the accountability of replaced equipment referenced in Recommendation 1.d.

**USAR Response: *NONCONCUR*.** The DODIG interpretation of DODD 1225.6 and DODI 1225.06 that all unit commanders must secure SECDEF approval for routine cross-leveling of equipment in support of mission requirements would impact the mobilization of Army Reserve units, impede daily operations, reduce readiness, and degrade the capabilities of the Army Reserve as an Operational Force.

#### **Discussion**

1. The DODIG Draft Report draft contains language which requires that Reserve Components request SECDEF approval for every transfer of equipment within components "for the purpose of mobilization." DODIG acknowledges that RC mobilization is a five-year process under ARFORGEN, therefore all transfers within components, from reset through mobilization, would require SECDEF approval, as the five year ARFORGEN cycle exists to support mobilization. USAR concurs with ARNG regarding pass-back directives to cross-level equipment. ARNG correctly states that "...cross-leveling [Reserve] equipment assists in excess management, training requirements, and to prepare a unit for a named mission or task, such as homeland defense and support to civil authorities." It is impossible to separate these requirements from mobilization support, as management of excess in one unit supports mobilization in another. The timing and staffing of such actions would prove prohibitive to the equipping needs of USAR.
2. The JP-1 definition of command "includes the authority and responsibility for effectively using available resources and for planning the employment of, organizing, directing, coordinating, and controlling military forces for the accomplishment of assigned missions." AR 710-2, Para 2-13 specifies that "Transfers of organization and installation property will be directed by the commander having command jurisdiction over both the losing and gaining organization." Transfers of equipment within a command are clearly the responsibility of the commander. The DODIG guidance as to the requirement to secure SECDEF approval for all pre-mobilization strips commanders at all levels of their most basic authority.

# Army National Guard Comments



NATIONAL GUARD BUREAU  
111 SOUTH GEORGE MASON DRIVE  
ARLINGTON VA 22204-1382

ARNG-RMC

AUG 22 2012

MEMORANDUM FOR Department of Defense Office of Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350-1500

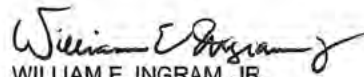
SUBJECT: Command Response for the Review of Improvements Needed in Transparency and Accountability of US Army Reserve Component Equipment Transfers

1. Reference memorandum, Department of Defense, Office of Inspector General, 25 Jun 12, subject: Improvements Needed in Transparency and Accountability of U.S. Army Reserve Component Equipment Transfers (Project No. D2011-D000AT-0274.000) (enclosure 1).
2. The Army National Guard (ARNG) has reviewed the above-referenced report and the two ARNG-related recommendations of the DOD OIG. We do not concur with recommendation 3.a. I have enclosed our response to both recommendations, including a National Guard Bureau Judge Advocate legal opinion and comments by the ARNG Logistics Office (enclosure 2).

3. The ARNG Logistics point of contact is [REDACTED] or [REDACTED]

4. The point of contact is [REDACTED] at DSN [REDACTED] or [REDACTED]

2 Encls  
1-2. as

  
WILLIAM E. INGRAM, JR.  
Lieutenant General, USA  
Director, Army National Guard



NATIONAL GUARD BUREAU  
111 SOUTH GEORGE MASON DRIVE, AH2  
ARLINGTON, VA 22204-1373

NGB-JA (14630)

6 August 2012

MEMORANDUM THRU NGB Chief Counsel


FOR ARNG-RMC-M [REDACTED]

SUBJECT: Legal Review of DoDIG Report on Improving Transparency and Accountability of Army RC Equipment Transfers (JASMS 1206255)

(b) (5)

[REDACTED]

(b) (5), (b) (6)



(b) (6)



**Department of Defense Inspector General Draft Report  
Transparency and Accountability of U.S. Army Reserve  
Component Equipment Transfers (D2011-D000AT-0274.000)**

**For the Director, Army National Guard**

**1. Recommendation 3a:** Prepare proposal plans and obtain the Secretary of Defense's approval for future equipment transfers made for the purpose of mobilization within Army Reserve Components.

**ARNG Response:**

**NONCONCUR. Transfers Within the Same Component for the "Purposes of Mobilization" is Much Broader than DoD Policy Requires.**

a. Neither the old DoDD 1225.06 (April 7, 2005), nor the new DoDI 1225.06 (May 12, 2012) which canceled it, requires Secretary of Defense (SecDef) approval of equipment transfers made within the same Reserve Component (RC) prior to a mobilization or more broadly, "for the purpose of mobilization." The old DoDD applied SecDef oversight to intra-component transfers only *after* the point that an RC unit was ordered into a Title 10 Active Duty/mobilized status (see old DoDD, par. 3.5 ). The new DoDI explains that SecDef (or delegated) approval is only required for transfers that would remove the equipment *from* or *outside* the particular Reserve Component or when it is directed to remain in a theater of operations (DoDI 1225.06, par. 4e., and Enclosure 3, par 2a.(1). ARNG agrees with this clarified focus because unless the equipment is directed to be transferred outside the ARNG or left behind after a mobilization, it remains under the control of the ARNG. There would simply be no need for replacement plans and special approvals for equipment that never leaves ARNG possession. On the other hand, ARNG absolutely concurs that once ARNG equipment is requested to be transferred from the ARNG to another Component or "directed (inter or intra component) to remain in a theater of operations past the original owning unit's rotation for an enduring mission requirement," equipment transfers should and must be documented and approved IAW with the new policy (DoDI 1225.06 4.e.(3) and Enclosure 3, par 2). However, ARNG believes these situations are wholly distinct from ARNG pre-mobilization and other internal transfers between ARNG units. Under the new DoDI, pre-mobilization transfers are clearly intended to be accounted for through a different process, namely via DoDI 5000.64 and quarterly Equipment Movement Reports (EMR) (DoDI 1225.06, par. 4f. and Enclosure3, par 8.b.).

b. When ARNG equipment is requested/directed to be transferred for another Component's use or to remain in theater by HQDA or other authority, a DoDI 1225.06 MOA and approval process is desirable, and its replacement plan procedures, along



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with ALARACT 200 2012 HQDA EXORD 182-12 SIO Army Internal Processes for DoDI 1225.06, should undoubtedly be utilized. However, the DoDIG report suggests that a 1225.06 MOA would be required for all ARNG lateral equipment transfers within COMPO 2 for the undefined "purposes of mobilization" even when there is no transfer of the equipment from the ARNG. ARNG equipment is often transferred between ARNG units in a Title 32 status for pre-mobilization training and to effectively manage equipment readiness rates, all the while remaining under ARNG control. Should a MOA be required for such routine actions, the timing and staffing of such actions would prove prohibitive to the equipping and readiness needs of the ARNG.

c. Mobilizing units may not have all required equipment needed for their assigned mission. To achieve required equipment levels, ARNG units input pass-back requests in the Mobilization Transfer of Property System (MTOPS), once all internal unit/BDE/State cross-leveling efforts have been exhausted. The pass-back request is reviewed and processed by ARNG Logistics Division personnel, and upon the determination of a sourcing solution, a pass-back memorandum is issued to a donor State to transfer equipment to a gaining State. Per the DoDIG opinion, these actions, which are a normal part of ARNG operations, would require special agreements and SecDef approval actions approximately every other business day.

**1. Equipment cross-leveled via Mobilization Transfer of Property System (MTOPS) by ARNG:**

<b>YEAR</b>	<b>Number of Pass-back Directives Published</b>	<b>Pieces of Equipment</b>
2010	173	876
2011	133	1270
2012	55	291

2. \*\*\* 2012 data spans 1 JAN 12 to 3 JUL 12

3. \*\*\* Data gathered by calendar year

d. The IG report focuses on RC transfers for "purposes of mobilization" but does not cite the applicable section of the 2005 DoDD 1225.6 that specifically addressed intra-component transfers and mobilization. Paragraph 3.5 of the 2005 DoDD 1225.6 clarified that special approval was required for transfers of equipment between units of the same Component only after the gaining unit was mobilized:



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"Once Ready Reserve units are ordered to active duty (mobilized) in accordance with Sections 12301, 12302, and 12304 of title 10 United States Code (U.S.C.) (reference (b)), approval to withdraw or divert equipment from other Ready Reserve units to meet mission requirements of the mobilized units, as well as regular units supporting the same mission, may be delegated to the Secretaries of the Military Departments, who may then sub-delegate that authority for the duration of the call-up or mobilization" (emphasis added).

Instead of addressing this carve-out for intra-component unit transfers upon mobilization, the report cites (on page 6) the much more general provision, par. 3.4, that applied to transfers *from* one Reserve Component (e.g. Army National Guard (ARNG) or Army Reserves) to another Component (Active Component or the other Reserve Component). That section stated, similarly to the new DoDI, that "[p]roposals for withdrawals diversion, or reductions of any equipment *from* the Reserve Component" (emphasis added) require replacement plans and SecDef approval. ARNG concurs with this requirement, but believes the most reasonable reading of a transfer "*from* the Reserve Component" is a transfer *from* one component *to* another component, not simply from one unit to another unit within the same component. For this and other reasons, ARNG had reasonably interpreted the previous Directive as not requiring SecDef approval, MOAs, or replacement plans for pre-mobilization transfers between ARNG units or any other internal ARNG purposes where the equipment remained under the control of the ARNG. Accordingly, ARNG does not concur with the DODIG finding that 203,929 pieces of equipment (cited on page 5 of the report) required proposal and replacement plans. However, ARNG agrees that replacement requirements should be reviewed and implemented as warranted IAW Recommendations 2.a and 2.d.

e. The ARNG's interpretation that an MOA process was not and is not required for pre-mobilization transfers is compatible with the 2009 Army OTJAG opinion that the report cites in support of expanding the need for proposal plans to all transfers serving a mobilization purpose. The OTJAG opinion, dated 29DEC09, was issued in response to a request for a legal review of the OEF TPE EXORD #058-10 by HQDA G3/5/7 personnel. This opinion is purposely narrow in scope and was requested only to determine if legal concerns existed within DA EXORD #058-10 for OEF Equipment *Guidance*. The opinion was not intended to provide guidance for ARNG T32 cross-leveling, for pre-mobilization or other internal purposes. Accordingly, it must be read in context of the specific EXORD being reviewed and the underlying concern that ARNG and USAR was losing its equipment to meet the long-term needs of contingency

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operations.<sup>1</sup> Although the opinion, (a short email) which was provided to the ARNG, states "intra component transfers must also comply with DoDD 1225.6," compliance could be fully achieved by following paragraph 3.5 procedures once a unit was mobilized. It did not necessarily mean SecDef approval and an MOA (paragraph 3.4 procedures) were required for intra-ARNG transfers prior to mobilization.

f. The 2012 DoDI substantiates the ARNG perspective that SecDef approval and MOAs are not required for intra-component pre-mobilization transfers or any other internal transfer where ARNG maintains control of the equipment. The DoDI clearly states that a proposal plan and SecDef approval is required only for equipment transfers *from an RC*, which includes "withdrawals, reductions, or loans *outside of the RC*" (emphasis added) (par. 4.e.(1)) and "[e]quipment directed (inter or intra-component) by the Military Department or combatant commander to remain in a theater of operations beyond the original owning unit's rotation for an enduring mission requirement" (par. 4.e.(3)). Significantly, the DoDI revision designates a separate and distinct process for maintaining transparency and accountability of equipment that stays within the same component through, among other things, EMRs (par. 4f. and Enclosure, 3 par 8.b). The DoDI also changed the old paragraph 3.5 requirement to clarify that no special approval processes would be required for withdrawals or transfers of equipment from one Reserve Component unit to another *unit* for the purposes of a mobilized mission. First, the DoDI moved the equivalent section of the old paragraph 3.5 to the Enclosure for procedures for transfers *from a Reserve Component to another component* (Enclosure 2). More importantly, the DoDI changed the language from a discussion of transfers by one unit to another unit to now state, "Once RC units are ordered to active duty (mobilized) in accordance with sections 12302 and 12304, approval to withdrawal, reduce, transfer or loan equipment *from the RC* to meet mission requirements of the mobilization may be delegated..." (Enclosure 2, par. 2 a.(1) (emphasis added)).

<sup>1</sup> The OTJAG opinion also cited Section 349 of the National Defense Authorization Act (NDAA) for Fiscal Year 2008 which required quarterly reports from SecDef to Congress identify withdrawals or diversions of equipment from all reserve components *units*. However, this reporting requirement, which was specifically repealed via Section 332 of the FY11 NDAA, did not create an obligation for SecDef approval of such sub-component, unit transfers. Additionally, the Senate Armed Services Committee explained in its report accompanying the FY 11 NDAA that: "The intent of section 349 at the time of its enactment was to provide oversight of equipment transfers out of the reserve components in support of the growing requirement of Operations Iraqi Freedom and Enduring Freedom. Since that time, operational equipment demands have largely stabilized and plans for U.S. forces drawdown from Iraq render this quarterly report less relevant. Additionally, information provided to Congress by the Department in the annual National Guard and Reserves Equipment Report and in Quarterly Readiness Reports to Congress allow sufficient insight for oversight of reserve component equipment issues." (U.S. Senate Committee on Armed Services Report on National Defense Authorization Act for Fiscal Year 2011, p. 108. Within DOD, similar insight and accountability over unit-level transfers will continue to be achieved by the quarterly EMRs IAW the DODI Enclosure 3, par. 8).

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**2. Recommendation 3b:** Create implementing guidance to follow the policies issued by the Assistant Secretary of Defense for Reserve Affairs regarding the accountability of replaced equipment referenced in Recommendation 1.d.

**ARNG Response: *CONCUR.***

Once these policies are issued by ASD(RA), ARNG will draft correlative implementing guidance.

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Inspector General  
Department *of* Defense

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