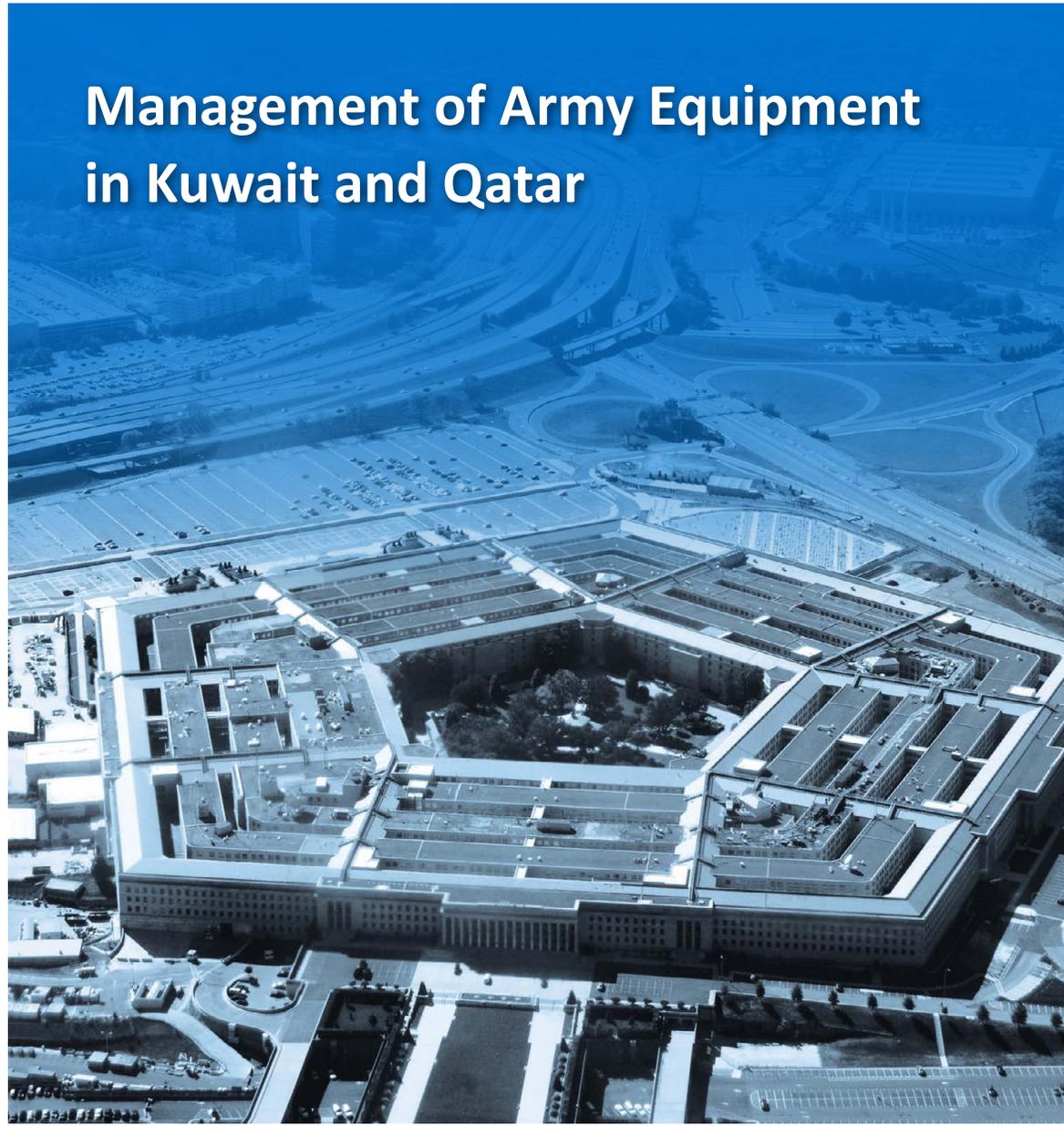




# INSPECTOR GENERAL

*U.S. Department of Defense*

JUNE 29, 2018



## Management of Army Equipment in Kuwait and Qatar

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





# Results in Brief

## *Management of Army Equipment in Kuwait and Qatar*

June 29, 2018

### Objective

We determined whether the Army maintained and accounted for Army Prepositioned Stock-5 (APS-5) equipment in Kuwait and Qatar. We focused on APS-5 program equipment because the majority of Army support equipment stored and maintained in Kuwait and Qatar is APS equipment.

### Background

The APS program is part of the Army's strategy to maintain combat-ready equipment in strategic locations around the world. The Army's Care of Supplies in Storage (COSIS) program ensures the readiness of the Army's stored supplies by identifying and mitigating exposure to temperature, humidity, and other environmental factors so that items in storage remain serviceable and ready to deploy when needed. Army Technical Manual (TM) 38-470 establishes COSIS-prescribed cyclic maintenance schedules for tactical and combat equipment that the Army and supporting contractors are required to implement.

Army Contracting Command-Rock Island (ACC-RI) awarded URS Federal Services (URS) a contract, valued at \$393 million, to track and maintain the prescribed cyclic maintenance schedules for equipment in Kuwait and Qatar on August 31, 2016. According to the performance work statement (PWS) for the contract, URS must perform maintenance in accordance with Army TM 38-470, which requires vehicles and weapons to be cared for in a controlled humidity environment and maintained on maintenance cycles specific to the storage environment.

### Findings

The Army did not ensure that URS personnel properly maintained the prescribed cyclic maintenance schedules for APS-5 vehicles and weapon systems stored in Kuwait and Qatar. This occurred because 401st Army Field Support Brigade (AFSB) personnel relied on the contractor to adhere to prescribed maintenance schedules and did not verify that the contractor's maintenance schedules complied with Army TM 38-470 and contract requirements.

As a result, the Army does not have assurance that contract personnel are performing the requirements of the contract to maintain vehicles and weapon systems according to the maintenance schedule required for their respective storage conditions. Vehicles and equipment that are not properly maintained are less likely to be operable and combat-ready for deploying units.

Furthermore, accountability officers at the 401st AFSB did not consistently account for APS-5 equipment. Specifically, the Army Field Support Battalion-Qatar (AFSBn-Qatar) property accountability officer assumed all responsibilities inherent to the role, including accounting for losses, shortages, and inaccurate accountability, and conducting a 100-percent inventory at transition between accountability officers. However, the Army Field Support Battalion-Kuwait (AFSBn-Kuwait) property accountability officer did not conduct a 100-percent inventory at transition or assume responsibility for losses, shortages, and inaccurate accountability of APS-5 equipment.

This occurred because the Deputy Chief of Staff of the Army, G-4 (Logistics), did not clearly establish which inventory accountability requirements apply to APS locations. Instead, the Deputy Chief of Staff relied on Army Material Command and Army Sustainment Command to interpret and implement existing policies that were not clear or did not specifically apply to APS. Without clearly established requirements, Army Sustainment Command provided conflicting guidance to accountability officers for inventory requirements at APS sites.



# Results in Brief

## *Management of Army Equipment in Kuwait and Qatar*

### **Findings (cont'd)**

As a result, the Army does not have assurance that it properly accounted for the \$5.1 billion worth of APS-5 equipment stored in Kuwait. APS is critical to ensuring that U.S. forces deployed in support of operations in Southwest Asia have what they need when they need it. Mismanagement of the maintenance and monitoring of APS equipment could lead to wasteful replacement costs or equipment that cannot be issued when needed. In addition, the Army is basing future acquisitions and equipment distribution on an inventory that may not be correct, which could lead to unnecessary expenditures and negatively impact equipment readiness.

### **Recommendations**

We recommend that the Chief, Land Based Army Prepositioned Stock Division, Army Sustainment Command, review current oversight procedures and establish appropriate mechanisms for contracting officer representatives to follow for changes in maintenance schedules when a vehicle moves from a controlled humidity environment to a non-controlled humidity environment.

Additionally, we recommend that the Deputy Chief of Staff of the Army, G-4 (Logistics), in conjunction with the Commander, Army Materiel Command, review Army Technical Manual 38-470 for equipment in the Care of Supplies in Storage program and determine appropriate timeframes for changes in maintenance schedules when equipment is moved from a humidity controlled environment to a non-humidity controlled environment or vice versa.

Finally, we recommend that the Chief of Staff of the Army direct the Deputy Chief of Staff of the Army, G-4, in conjunction with the Commander, Army Materiel Command, to review and update Army Regulations 710-1, 725-50, 740-26, and 735-5 with procedures to ensure 100-percent accountability of Army Prepositioned Stock equipment.

### **Management Comments and Our Response**

The Deputy Chief of Staff of the Army, G-4, (Logistics), agreed with our recommendations and stated that the current language in TM 38-470 regarding APS maintenance cycles is not detailed enough. The Deputy Chief of Staff of the Army, G-4 stated that additional information will be added to address specific guidance regarding changes to maintenance cycles when APS equipment is moved from a controlled humidity environment to a non-controlled humidity environment or vice versa. The comments addressed the specifics of our recommendation. Therefore, the recommendation is resolved. We will close the recommendation once we verify that the language has been added to TM 38-470.

### **Management Comments Required**

The Chief of Staff of the Army and the Chief, Land Based APS Division, Army Sustainment Command, did not respond to the recommendations in the report. Therefore, the recommendations are unresolved. We request that they provide comments on the final report.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Chief of Staff of the Army	B	None	None
Deputy Chief of Staff of the Army, G-4 (Logistics)	None	A.2	None
Chief, Land-Based APS Division, Army Sustainment Command	A.1	None	None

Please provide Management Comments by July 30, 2018.

Note: The following categories are used to describe agency management's comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.





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

June 29, 2018

MEMORANDUM FOR CHIEF OF STAFF OF THE ARMY  
DEPUTY CHIEF OF STAFF OF THE ARMY, G-4 (LOGISTICS)  
COMMANDER, U.S. ARMY MATERIEL COMMAND  
COMMANDER, U.S. ARMY SUSTAINMENT COMMAND  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Management of Army Equipment in Kuwait and Qatar  
(Report No. DODIG-2018-132)

We are providing this report for your review and comment. We conducted this audit in accordance with generally accepted government auditing standards.

The Chief of Staff of the Army and the Chief, Land-Based APS Division, Army Sustainment Command, did not respond to the recommendations in the draft report; however, we considered comments from the Deputy Chief of Staff of the Army, G-4 (Logistics), when preparing the final report.

DoD Instruction 7650.03 requires that all recommendations be resolved promptly. Comments from the Deputy Chief of Staff of the Army, G-4, conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments on Recommendation 2. However, we request that the Chief, Land-Based APS Division, Army Sustainment Command, comment on Recommendation A.1 and that the Chief of Staff of the Army comment on Recommendation B by July 30, 2018.

Please send a PDF file containing your comments to [audrgo@dodig.mil](mailto:audrgo@dodig.mil). Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot 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) 604-9187 (DSN 664-9187).

A handwritten signature in blue ink, appearing to read "M. Roark".

Michael J. Roark  
Assistant Inspector General  
Readiness and Global Operations

# Contents

---

## Introduction

Objective .....	1
Background .....	1
Review of Internal Controls .....	5

## Finding A. The Army Did Not Effectively Monitor Contractor Performance and Management of APS in Kuwait and Qatar .....

6

The Army Did Not Monitor Contractor Maintenance Schedules .....	6
The Army Does Not Have Assurance That APS-5 Equipment Will be Ready for Issuance as Required .....	8
Recommendations, Management Comments, and Our Response .....	9

## Finding B. The Army Did Not Consistently Provide Accountability of APS-5 Equipment .....

10

The 401st AFSB Did Not Consistently Account for APS-5 Equipment .....	10
The G-4 Did Not Clearly Establish APS Inventory Accountability Requirements .....	11
The Army Does Not Have Assurance that it Properly Accounted for APS Equipment Stored In Kuwait .....	13
Recommendations, Management Comments, and Our Response .....	14

## Appendix

Scope and Methodology .....	15
Use of Computer-Processed Data .....	16
Use of Technical Assistance .....	16
Prior Coverage .....	17

## Management Comments

Deputy Chief of Staff of the Army, G-4 (Logistics) .....	18
--	----

## Acronyms and Abbreviations .....

20

# Introduction

## Objective

We determined whether the Army maintained and accounted for Army Prepositioned Stock-5 (APS-5) equipment in Kuwait and Qatar. We focused on APS-5 program equipment because the majority of Army support equipment stored and maintained in Kuwait and Qatar is APS-5 equipment. See the Appendix for a discussion of the scope and methodology and prior audit coverage.

*Figure. U.S. Central Command Area of Operations Supported by APS-5 Equipment*



Source: U.S. Central Command.

## Background

### APS-5 Program

The APS program is part of the Army's strategy to maintain combat-ready materiel in strategic locations worldwide. There are five categories of APS: prepositioned unit sets, operational project stocks, sustainment stocks, War Reserve Stocks for Allies, and activity sets. APS-5 includes three of these five categories.

- Prepositioned unit sets consist of organizational equipment stored in unit configurations prepositioned ashore and afloat in order to reduce force deployment response time.

- Operational project stocks consist of equipment and supplies above normal unit authorizations that are tailored for key strategic capabilities essential to support Army operations, plans, and contingencies.
- Army war reserve sustainment stocks (theater sustainment stocks) consist of major end items used to replace battle losses and supplies consumed during combat operations. These items are prepositioned in or near a theater of operations to last until wartime rates of resupply are established.<sup>1</sup>

### ***APS-5 Roles and Responsibilities***

The APS-5 program involves the coordination of the Deputy Chief of Staff of the Army, G-4 (Logistics); Army Materiel Command (AMC); Army Sustainment Command (ASC); Army Contracting Command–Rock Island (ACC-RI); 401st Army Field Support Brigade (401st AFSB); Army Field Support Battalion–Kuwait (AFSBn-Kuwait); and Army Field Support Battalion–Qatar (AFSBn-Qatar). Each command has specific responsibilities, but they all share oversight and management of APS-5.

#### *Deputy Chief of Staff of the Army, G-4 (Logistics)*

The G-4 provides guidance for the APS program and ensures materiel is combat-ready for deploying units in accordance with Army serviceability standards. The G-4 also ensures that prepositioned materiel is kept at authorized levels to adequately fill unit sets, provides resources to conduct the APS program, approves prepositioned equipment listing, and ensures that equipment requirements are identified in Army force structure, systems, and applicable documents.

#### *Army Materiel Command*

AMC is the executive agent for the APS program. AMC develops APS funding requirements, maintains accountability of APS equipment (except medical equipment), reviews and validates authorization documents, and ensures operational readiness of APS equipment. Additionally, AMC provides and maintains all APS major end items to the Army’s maintenance standard based on the appropriate Army technical manual (TM).

---

<sup>1</sup> Army Techniques Publication 3-35.1, “Army Deployment and Redeployment,” sections 1 through 4, “Categories of APS,” March 2015.

### *Army Sustainment Command*

ASC is responsible for all APS equipment except medical equipment.<sup>2</sup> This responsibility includes accounting for, storing, maintaining, and issuing APS equipment. As the responsible agent, ASC is required to develop all procedures supporting APS, update the Automated Battlebook System with current APS data, and manage APS in the Army War Reserve Deployment System (AWRDS).

### *Army Contracting Command–Rock Island*

ACC-RI provides contracting support to soldiers, civilians, and contractors around the world in locations such as Afghanistan, Iraq, and Kuwait. ACC-RI is responsible for the award and administration of contracts for the management of APS-5 equipment in Kuwait and Qatar.

### *401st Army Field Support Brigade*

The 401st AFSB headquarters is located at Camp Arifjan, Kuwait. The 401st AFSB provides mission command of assigned Army field support battalions and coordinates support of APS. Army field support battalions located in Kuwait and Qatar are responsible for managing APS-5 equipment. AFSBn-Kuwait and AFSBn-Qatar are two separate subordinate organizations that directly support the 401st AFSB.

### *Army Field Support Battalion–Kuwait*

The AFSBn-Kuwait manages APS equipment located in Kuwait, including theater sustainment stocks and theater-provided equipment, from its headquarters at Camp Arifjan. The AFSBn-Kuwait is also an integral part of the retrograde support and theater-wide support to Southwest Asia. Kuwait's APS-5 site is the largest APS site in the Army.

### *Army Field Support Battalion–Qatar*

The AFSBn-Qatar manages APS equipment located in Qatar, which includes fires and sustainment brigade set, operational project stocks, and war reserve secondary items, from its headquarters at Camp As Sayliyah, Qatar. These items support ASC and Army strategic worldwide force projection mission requirements.

---

<sup>2</sup> U.S. Army Medical Materiel Agency provides all management for Supply Class VIII (medical).

## ***APS Inventory and Maintenance Management Systems***

The Army uses two systems to manage the maintenance and inventory accountability of APS equipment: AWRDS and the Logistics Modernization Program (LMP) system.

### ***Army War Reserve Deployment System***

AWRDS is an automated system designed to assist in the accountability, inventory, maintenance, and transfer of APS assets to and from deploying units. AWRDS captures logistics information for all Army requirements, such as capturing costs, requisitioning parts, tracking scheduled and unscheduled services, tracking equipment and its condition, maintaining historical data, and providing a full spectrum of reports, including critical readiness reports. AWRDS is the warehouse management system for the LMP using a direct real time interface.

### ***Logistics Modernization Program System***

The LMP system manages and tracks orders and delivery of materiel from the Army to soldiers when and where they need it. Additionally, the LMP system provides asset visibility and is the accountable record for APS storage sites (except medical materiel). Inventories are planned and scheduled based on LMP outputs. APS sites run a reconciliation process on a weekly basis between AWRDS and LMP. This reconciliation keeps continuity between the management system (AWRDS) and the accountable system (LMP).

## ***Care of Supplies in Storage Program and Contract***

The Army's Care of Supplies in Storage (COSIS) program ensures the readiness of the Army's stored supplies by identifying and mitigating exposure to temperature, humidity, and other environmental factors so items in storage remain serviceable and ready to deploy when needed. Army TM 38-470 establishes COSIS maintenance cycles for tactical and combat equipment that the Army and supporting contractors are required to implement.

From December 1, 2015, to February 28, 2017, the Army contracted Vectrus (contract W52P1J-16-C-0005) to track and maintain APS-5 equipment. On August 31, 2016, ACC-RI awarded URS Federal Services (URS) a contract to track and maintain equipment in Kuwait and Qatar. From February to April 2017, there was a contract transition period involving both Vectrus and URS.<sup>3</sup> At the end of the transition period, URS began fulfilling the contract requirements for the COSIS program. The contract with URS is a combined cost-plus-fixed-fee and firm-fixed-price contract with a maximum award for approximately \$393 million.

---

<sup>3</sup> According to the performance work statement, the contractor must develop a transition plan to ensure an effective and efficient transition of services between the two contractors. The transition period must not exceed 95 days.

## Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, 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.<sup>4</sup> We identified several internal control weaknesses related to the maintenance of APS-5 equipment and inventory accountability. Specifically, Army personnel did not verify that maintenance schedules for vehicles and weapon systems complied with Army and contract requirements. In addition, Army personnel in Kuwait did not maintain inventory accountability for APS equipment. We will provide a copy of the final report to the senior official responsible for internal controls in the Department of the Army.

---

<sup>4</sup> DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013.

## Finding A

### **The Army Did Not Effectively Monitor Contractor Performance and Management of APS in Kuwait and Qatar**

The Army did not ensure that URS personnel properly tracked and maintained the prescribed cyclic maintenance schedules for APS-5 vehicles and weapon systems stored in Kuwait and Qatar. This occurred because 401st AFSB contracting officer representatives (CORs) relied on the contractor to maintain prescribed maintenance schedules and did not verify that maintenance schedules complied with Army TM 38-470 and contract requirements. Additionally, the Army did not establish policy to define when cyclic maintenance schedules need to be changed after a vehicle is moved from a controlled humidity environment to a non-controlled humidity environment or vice versa to ensure the appropriate maintenance schedule was being used.

As a result, the Army does not have assurance that contract personnel are performing the requirements of the contract to maintain vehicles and weapon systems according to their required maintenance schedule based on storage location. Vehicles and equipment that are not properly maintained are less likely to be operable and combat-ready for deploying units.

### **The Army Did Not Monitor Contractor Maintenance Schedules**

The Army did not ensure that URS personnel properly tracked and maintained the prescribed cyclic maintenance schedules for APS-5 vehicles and weapons systems stored in Kuwait and Qatar. The purpose of cyclic maintenance is to ensure that equipment remains operable and combat-ready.

#### ***Army Personnel Did Not Monitor Maintenance Schedules for Vehicles***

Army TM 38-470 establishes the cyclic maintenance schedules for vehicles by category. The two vehicle categories in Army TM 38-470 are combat and tactical.

- Combat vehicles stored in humidity-controlled environments require cyclic maintenance every 30 months and those stored in non-humidity controlled environments every 12 months. Combat vehicles include self-propelled, tracked howitzers; light armored vehicles; and self-propelled anti-aircraft guns.

- Tactical vehicles stored in humidity-controlled environments require cyclic maintenance every 48 months and those stored in non-humidity controlled environments every 24 months. Tactical vehicles include high mobility multi-purpose wheeled vehicles (HMMWV), the family of medium tactical vehicles, and 5-ton vehicles.

URS personnel did not have correct maintenance schedules for 314 of the 433 vehicles we reviewed.<sup>5</sup> According to the performance work statement (PWS), the contractor must perform maintenance in accordance with Army TM 38-470. Additionally, the PWS states that, when equipment is not stored in a climate and humidity controlled warehouse, the contractor must service the equipment every 24 months. However, 227 vehicles in Kuwait and 75 vehicles in Qatar were on the incorrect maintenance cycle based on storage location. Additionally, 12 vehicles in Kuwait did not have future cyclic maintenance scheduled.

### ***Army Personnel Did Not Monitor Maintenance Schedules for Weapon Systems***

Of the 436 weapons we reviewed, URS personnel did not correctly track the maintenance cycles in the AWRDS maintenance database for 137 (135 in Kuwait and 2 in Qatar). Army TM 38-470 requires cyclic maintenance for all equipment and the PWS requires the contractor to provide maintenance support for weapons and associated items in accordance with their applicable technical manuals. However, 137 weapons did not have associated cyclic maintenance schedules, which indicates that maintenance for these weapons was not tracked or performed in accordance with Army guidance or the PWS.

### ***Army Personnel Did Not Verify That Maintenance Schedules Were Modified***

Personnel from the 401st AFSB did not verify that maintenance schedules complied with Army and contract requirements, and instead relied on the contractor to maintain the correct maintenance schedules. According to the PWS, the contractor should have based maintenance schedules on the equipment storage environment, as prescribed by Army TM 38-470. However, according to AFSBn-Kuwait personnel, the contractor updates the maintenance schedules when a piece of equipment undergoes its scheduled service, not when its storage environment changes. Additionally, AFSBn-Qatar personnel stated that maintenance schedules are modified and maintained solely by the contractor because contractor personnel know the required maintenance cycles for the equipment. Neither AFSBn-Kuwait

<sup>5</sup> Of the 597 vehicles included in our sample, 433 were required to be on a maintenance cycle. The other 158 vehicles were awaiting assignment to a unit or being repaired to Army acceptable use standards. Once these vehicles are assigned to a unit (identified by a unit identification code), 401st AFSB is required to ensure that each vehicle is fully mission capable as outlined in Army Regulation 750-1 and TM 38-470.

nor AFSBn-Qatar CORs verified the accuracy of the maintenance schedules. Therefore the Chief, Land Based APS Division, ASC, should review current contract oversight procedures and establish appropriate procedures for CORs to follow for changes in maintenance schedules when a vehicle moves from a controlled humidity environment to a non-controlled humidity environment.

### ***The Army Did Not Establish Policy to Define When Changes are Required to Cyclic Maintenance Schedules***

The Army did not establish policy to define the point in time when cyclic maintenance schedules must be modified after a vehicle moves from a controlled humidity environment to a non-controlled humidity environment or vice versa. According to ASC personnel, there is no guidance defining when these changes are required, and Army TM 38-470 does not provide a required timeframe. In the absence of clear guidance, 401st AFSB personnel stated that they were confused regarding when maintenance cycles for vehicles should be changed. For example, the humidity control systems were inoperable in all of the AFSBn-Qatar's APS-5 storage warehouses from May to October 2017. During this time, the vehicles were stored in a non-controlled humidity environment for 5 months; however, the maintenance cycles were not adjusted accordingly because guidance did not define a clear timeframe during which the schedule must be modified when the storage environment is changed. Therefore, the G-4, in conjunction with the Commander, AMC, should review Army TM 38-470 for equipment in the COSIS program and determine appropriate timeframes for changes in maintenance schedules when the storage environment is changed.

### **The Army Does Not Have Assurance That APS-5 Equipment Will be Ready for Issuance as Required**

The Army does not have assurance that URS personnel are properly maintaining APS-5 vehicles and weapon systems in accordance with the requirements of the contract, valued at \$393 million. Without proper oversight of the contractor's performance, it is less likely that equipment is operable and combat-ready for deploying units. Furthermore, mismanagement of the maintenance and monitoring of APS equipment could lead to wasteful replacement costs or equipment that cannot be issued when needed.

## Recommendations, Management Comments, and Our Response

### **Recommendation A.1**

**We recommend that the Chief, Land Based Army Prepositioned Stock Division, Army Sustainment Command, review current oversight procedures and establish appropriate mechanisms for contracting officer representatives to follow for changes in maintenance schedules when a vehicle moves from a controlled humidity environment to a non-controlled humidity environment.**

#### *Management Comments Required*

The Chief, Land Based Army Prepositioned Stock Division, Army Sustainment Command, did not respond to the recommendations in the report. Therefore, the recommendations are unresolved. We request that the Chief, Land Based Army Prepositioned Stock Division, Army Sustainment Command, provide comments on the final report.

### **Recommendation A.2**

**We recommend that the Deputy Chief of Staff of the Army, G-4 (Logistics), in conjunction with the Commander, Army Materiel Command, review Army Technical Manual 38-470 for equipment in the Care of Supplies in Storage program and determine appropriate timeframes for changes in maintenance schedules when equipment is moved from a humidity controlled environment to a non-humidity controlled environment or vice versa.**

#### *Deputy Chief of Staff of the Army, G-4 (Logistics)*

The Deputy Chief of Staff of the Army, G-4 (Logistics), agreed with our recommendations and stated that the current language in TM 38-470 addressing APS maintenance cycles is not detailed enough. The Deputy Chief of Staff of the Army, G-4 stated that additional information will be added to address specific guidance regarding changes to maintenance cycles when APS equipment is moved from a controlled humidity to a non-controlled humidity environment or vice versa.

#### *Our Response*

Comments from Deputy Chief of Staff of the Army, G-4, addressed our recommendation. Therefore, the recommendation is resolved. We will close the recommendation once we verify that the language has been added to TM 38-470.

## Finding B

### The Army Did Not Consistently Provide Accountability of APS-5 Equipment

Accountability officers of the 401st AFSB did not consistently account for APS-5 equipment. Specifically, the AFSBn-Qatar property accountability officer assumed all responsibilities inherent to the role, to include accounting for losses, shortages, and inaccurate accountability, and conducting a 100-percent inventory at transition between accountability officers. However, the AFSBn-Kuwait did not conduct a 100-percent inventory during transition between accountability officers. Additionally, when the last two AFSBn-Kuwait accountability officers signed memorandums assuming the role of accountability officer for APS-5 in Kuwait, both stated that they would not assume full responsibility for losses, shortages, and inaccurate inventories because a 100-percent inventory was not conducted at transition.

This occurred because the G-4 did not clearly establish which inventory accountability requirements apply to APS locations. Instead, it relied on AMC and ASC to interpret and implement existing policies that were not clear or did not specifically apply to APS. Without clearly established requirements, ASC provided conflicting procedures to accountability officers for inventory requirements at APS sites.

As a result, the Army does not have assurance that it properly accounted for the \$5.1 billion worth of APS-5 equipment stored in Kuwait. APS is critical to ensuring that U.S. forces deployed in support of operations in Southwest Asia have what they need when they need it. In addition, the Army is basing future acquisitions and equipment distribution on an inventory that may not be correct, which could lead to unnecessary expenditures and negatively impact equipment readiness.

### The 401st AFSB Did Not Consistently Account for APS-5 Equipment

The AFSBn-Qatar property accountability officer assumed full responsibility for APS equipment and conducted 100-percent inventories during transition between accountability officers. However, since at least June 2016, AFSBn-Kuwait accountability officers did not assume full responsibility for inventories.

Specifically, these accountability officers signed memoranda stating that, since a 100-percent physical inventory was not conducted before their respective appointments, they were not directly responsible for losses, shortages, or inaccurate accountability.

According to AFSBn-Kuwait personnel, ASC personnel provided informal, written guidance stating that 100-percent accountability for APS equipment was not required during a change of accountability officers. In addition, the current AFSBn-Kuwait accountability officer was unable to provide evidence that 100-percent inventory had been completed prior to his appointment. Accountability officers of the AFSBn-Kuwait conduct a monthly 10-percent cyclic inventory to account for property. URS contract personnel assist with these inventories and the accountability officer signs a memorandum in which unique identification numbers are inventoried and accounted for. The accountable officer directed URS to use a 10-percent cyclic inventory method and at the end of each fiscal year, use this method to account for 100-percent of inventory. The AFSBn-Kuwait completed monthly, 10-percent inventories from July through September 2017. Therefore, until the FY 2018 inventory is completed (October 1, 2017, through September 30, 2018), the AFSBn-Kuwait will not have 100-percent inventory accountability. According to ASC officials, because of the large volume and high turn-over of equipment at the APS site in Kuwait, officials are not required to conduct a 100-percent inventory when transitioning between accountable officers.

## **The G-4 Did Not Clearly Establish APS Inventory Accountability Requirements**

The G-4 did not clearly establish which inventory accountability requirements apply to APS locations. On three occasions, we requested clarification from G-4 personnel on the policies and procedures that apply to inventory accountability of APS equipment. Each time, G-4 personnel stated that AMC and ASC personnel should provide those answers. However, according to AMC personnel, unclear G-4 guidance has caused confusion related to inventory accountability at APS sites. For example, AMC personnel stated that, since APS is considered wholesale stock at the national stock level, the only criteria that provides requirements for accountability officers during transfer of responsibilities at an APS site is Army Regulation (AR) 735-5.<sup>6</sup> According to AR 735-5, unit commanders are responsible for ensuring the equipment under their control is properly accounted for and inventories of APS equipment are at the commanders' or accountable officers' discretion. AR 735-5 further states that inventories will be conducted more often when prescribed by other regulations or when directed by the

<sup>6</sup> AR 735-5, "Property Accountability Policies," November 9, 2016.

commander or the accountable officer. While AR 735-5 requires stock record officers to complete a statement of transfer of accountability and the incoming accountable officer prepares a similar statement of acceptance, it does not establish a requirement to complete 100-percent inventory during transition between individuals. Additionally, the guidance provided to property book officers established in AR 710-2 is clear in outlining the roles and responsibilities necessary to account for inventory below the national level; however, AR 735-5 does not provide the same detailed guidance for stock record officers to account for inventory at the national level.<sup>7</sup> AMC officials stated that the G-4 should clearly define which polices apply to inventory accountability at APS locations or further develop inventory accountability requirements for these locations in AR 735-5.

Without clearly established inventory accountability requirements for APS locations, ASC has provided conflicting guidance to accountability officers for inventory requirements at APS sites, including guidance that incorrectly incorporates requirements from AR 710-2. AR 710-2 provides supply policy for Army inventory below the national level. According to ASC personnel, until recently, Army regulations provided little guidance concerning inventory requirements to accountability officers at APS sites. Until October 2017, ASC personnel provided informal verbal and email guidance to accountability officers. For example, on May 24, 2017, ASC provided the AFSBn-Kuwait accountability officer with the following guidance for in-processing as an accountability officer at an APS site: “The accountable officer will not conduct 100-percent inventory. Instead, he will execute the duties that a retail property book officer would perform, which is to ensure the books are up to date, inventories are on schedule, financial liability investigation for properly loss and other administrative adjustment documents are initiated/in-progress and finalized.” However, this guidance conflicts with a memorandum ASC issued on November 22, 2017, which only requires the reporting of physical loss or gain in order to meet Army Inventory Adjustment Report criteria. Despite the conflicting guidance, the AFSBn-Qatar property accountability officer assumed all responsibilities inherent to the role of Accountable Officer and conducted an annual 100-percent inventory in addition to the monthly 10-percent requirement.

Due to the conflicting guidance from ASC, AMC’s concern about the lack of guidance from the G-4, and an improvised implementation of inventory accountability at APS sites, accountability officers are reluctant to accept the results of the previous accountability officer’s inventories. In addition, in Kuwait, inventory accountability is not consistent or sufficient. Therefore, the Chief of Staff of the Army should direct the Deputy Chief of Staff of the Army, G-4,

---

<sup>7</sup> AR 710-2, “Supply Policy Below the National Level,” March 28, 2008.

in conjunction with the Commander, Army Materiel Command, to review and update Army Regulations 710-1, 725-50, 740-26, and 735-5 to ensure 100-percent accountability of Army Prepositioned Stock equipment.

## **The Army Does Not Have Assurance that it Properly Accounted for APS Equipment Stored In Kuwait**

The Army does not have assurance that it properly accounted for the \$5.1 billion of APS-5 equipment stored in Kuwait. The primary purpose of a physical inventory is to account for all APS-5 accountable items on the inventory list. This process allows the accountability officer to:

- verify that property on record is on hand, in the location assigned, and has an identification marking;
- identify unrecorded property so it can be reconciled to the property system;
- locate or identify missing items;
- reconcile accounting and inventory records; and
- identify items in need of repair or excess items that may need to be disposed of.

Without regular inventories, the Army does not know what equipment it has (or what condition it is in) and what equipment it should procure to effectively support its deployed soldiers. Incorrect inventories can lead to unnecessary expenditures if understated or negatively impact a unit's readiness level if overstated.

Accountability officers are responsible for establishing and maintaining the most accurate accountability records possible. However, AFSBn-Kuwait accountability officers did not accept all responsibilities inherent to their positions, to include accounting for shortages, losses, or inaccurate accountability of inventory for APS-5 equipment. Therefore, the Army does not have assurance that there has been proper accountability for gains and losses of APS-5 equipment in Kuwait. For example, as of October 2017, the AFSBn-Kuwait had not reported losses since at least June 2017. According to AMC officials, this is unusual for any APS site with a large amount of inventory, but especially so for the largest APS site in the Army. In contrast, the AFSBn-Qatar reported gains and losses during the FY 2017 annual inventory assessment. The AFSBn-Kuwait is responsible for five times as much equipment as the AFSBn-Qatar—the fact that it reported no losses during FY 2017 raises questions about the accuracy of its accounting for APS-5 equipment.

## Recommendations, Management Comments, and Our Response

### ***Recommendation B***

**We recommend that the Chief of Staff of the Army direct the Deputy Chief of Staff of the Army, G-4, in conjunction with the Commander, Army Materiel Command, to review and update Army Regulations 710-1, 725-50, 740-26, and 735-5 with procedures to ensure 100-percent accountability of Army Prepositioned Stock equipment.**

### *Management Comments Required*

The Chief of Staff of the Army did not respond to the recommendations in the report. Therefore, the recommendations are unresolved. We request that the Chief of Staff of the Army provide comments on the final report.

## Appendix

---

### Scope and Methodology

We conducted this performance audit from August 2017 through May 2018 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.

We reviewed the following DoD and Army criteria.

- DoD Instruction 3110.06, “War Reserve Materiel Policy,” June 23, 2008
- DoD Instruction 5000.72, “DoD Standard for Contracting Officer’s Representative (COR) Certification,” March 26, 2015
- DoD COR Handbook, March 22, 2012
- AR 750-1, “Army Materiel Maintenance Policy,” August 3, 2017
- AR 735-5, “Property Accountability Policies,” November 9, 2016
- Army TM 38-470, “Storage and Maintenances of Army Prepositioned Stock Materiel,” June 30, 2017

We interviewed personnel from the G-4, AMC, ASC, and the U.S. Army Tank-Automotive and Armaments Command to obtain background information about APS and to identify each organization’s responsibilities related to APS-5. We also conducted site visits to Camp As Saliyah, Qatar; Kuwait Naval Base; and Camp Arifjan, Kuwait, from October 11, 2017, to October 25, 2017, to inventory equipment and identify field-level roles and responsibilities.

We obtained and reviewed the PWS for the URS contract for APS-5 logistics support services. We determined whether the PWS was written to meet applicable Army standards for storage and maintenance of APS equipment. In addition, we obtained and reviewed the quality assurance surveillance plan to ensure that the Army had sufficient controls to oversee contractor requirements.

We obtained AWRDS maintenance logs of APS-5 equipment in Kuwait and Qatar and reviewed them for compliance with applicable DoD and Army regulations. These records are historical and show the maintenance scheduled and completed for each APS-5 piece of equipment from the time it was assigned to a unit and met initial Army use standards. We reviewed Supply Class VII items, such as tanks, weapon systems, and vehicles, due to their high dollar value. We used AWRDS to develop a nonstatistical random sample of 1,033 items located in Kuwait and Qatar.

Our sample consisted of 436 out of 4,466 weapons and 597 out of 5,935 vehicles in Kuwait and Qatar. Specifically, we reviewed the sampled inventory to determine whether the equipment was maintained on the proper cyclical maintenance plan based on the storage conditions of the equipment.

We conducted an inventory of our sample to ensure that these items were properly accounted for. In addition, we obtained and reviewed the accountability officers' appointment letters and inventory assessments to determine whether inventories were conducted in accordance with Army regulations. We also reviewed various directives from the G-4, AMC, and ASC related to requirements for periodic inventories of equipment in Kuwait and Qatar to determine whether these directives complied with DoD and Army regulations.

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

To perform this audit, we obtained inventory and maintenance records from AWRDS to identify the universe of APS-5 equipment we reviewed. We did not test the reliability of the computer-processed data in AWRDS because we reviewed a sample of APS-5 equipment only to determine if it was effectively managed. Therefore, we determined that the reliability of the computer-processed data did not affect the conditions and findings in this report.

### **Use of Technical Assistance**

We consulted with the DoD Office of Inspector General (DoD OIG) Quantitative Methods Division (QMD) on the selection of our nonstatistical sample of equipment in Kuwait and Qatar. The audit team provided the AWRDS APS universe in Kuwait and Qatar to the QMD with the parameters to include only Supply Class VII, and item categories weapons and vehicles to obtain the APS-5 listing for our maintenance and inventory review. QMD provided a nonstatistical sample of Supply Class VII items in Kuwait and Qatar for our review.

## Prior Coverage

During the last 5 years, the DoD OIG issued a report discussing the Army's equipment management in Kuwait and Qatar. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

### ***DoD OIG***

Report No. DODIG-2016-056, "The Army did not Fully Document Procedures for Processing Wholesale Equipment in Kuwait," February 24, 2016

The objective of this report was to determine whether the Army had effective controls for processing equipment in Kuwait. It was recommended that the AFSBn-Kuwait develop an updated standard operating procedure (SOP) to govern APS equipment oversight. The 401st AFSB and AFSBn-Kuwait Commanders agreed with the auditors' observations and immediately initiated steps to implement suggested corrective actions. The AFSBn-Kuwait agreed to create new wholesale equipment SOPs that would incorporate updated APS procedures and establish retrograde procedures. The AFSBn-Kuwait also assigned the accountable officers and wholesale responsible officers to identify gaps in the existing SOP, gather lessons learned and best practices from AFSBn-Kuwait officials, and create new SOPs to capture procedures.

# Management Comments

## Deputy Chief of Staff of the Army, G-4 (Logistics)



DEPARTMENT OF THE ARMY  
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-4  
500 ARMY PENTAGON  
WASHINGTON, DC 20310-0500

24 MAY 2018

DALO-SPA

MEMORANDUM THRU DEPUTY CHIEF OF STAFF, G-4, 500 ARMY PENTAGON,  
WASHINGTON, DC 20310-0500

FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL, 4800 MARK CENTER  
DRIVE, ALEXANDRIA, VIRGINIA 22350-3100

SUBJECT: Response to Department of Defense Inspector General Final Report:  
Management of Army Equipment in Kuwait and Qatar

1. This memorandum is in response to the Department of Defense Inspector General (DoDIG) request that the Office of the Deputy Chief of Staff, G-4 (ODCS, G-4) provide comments on the subject draft report.
2. The ODCS, G-4 concurs with the recommendations and provides the following responses to the report recommendations:
  - a. Recommendation A.2: We recommend that the Deputy Chief of Staff, G-4 (DCS, G-4), in conjunction with the Commander, Army Materiel Command, review Army Technical Manual 38-470 for equipment in the Care of Supplies in Storage program & determine appropriate timeframes for changes in maintenance schedules when equipment is moved from a Controlled Humidity (CH) to a non-CH environments.
  - b. Response to Recommendation A.2: We concur with the Recommendation A.2. The current verbiage in Technical Manual 38-470 addressing Army Preposition Stock (APS) cyclic maintenance cycles is not detailed enough. Additional verbiage will be added to addresses specific guidance regarding changes to maintenance cycles when APS equipment is moved from a CH to a non-CH environment (or visa versa).
  - c. Recommendation B: We recommend that the DCS, G-4 in conjunction with the Commander, Army Materiel Command, to review and update Army Regulations (AR) 710-1, 725-50, 740-26, and 735-5 to ensure 100-percent accountability of APS equipment.
  - d. Response to Recommendation B: We concur in principle that inventory accountability requirements policy can be improved. AR 735-5 paragraph 2-10 a. (2), does provide a definition of the different types of Accountable Officer/Stock Record

## Deputy Chief of Staff of the Army, G-4 (Logistics) (cont'd)

DALO-SPA

SUBJECT: Response to Department of Defense Inspector General Final Report:  
Management of Army Equipment in Kuwait and Qatar

Officer (SRO). AR 735-5 paragraph 2-6 f. states a 100 percent inventory is required when ships are off loaded during cyclic maintenance vessel berthing. The DCS, G-4 will coordinate with stakeholders to further define Stock Record Officer as it relates to the APS Accountable Officer and the inventory process in AR 710-2, 710-1, 735-5, and Department of the Army Pamphlet 710-2-2.



  
PETER BECHTEL  
Director of Supply

## Acronyms and Abbreviations

---

<b>401st AFSB</b>	401st Army Field Supply Brigade
<b>AFSBn</b>	Army Field Support Battalion
<b>ACC-RI</b>	Army Contracting Command–Rock Island
<b>AMC</b>	Army Materiel Command
<b>APS-5</b>	Army Prepositioned Stock 5 located in Southwest Asia
<b>ASC</b>	Army Sustainment Command
<b>AWRDS</b>	Army War Reserve Deployment System
<b>COR</b>	Contracting Officer Representative
<b>COSIS</b>	Care of Supplies in Storage
<b>PWS</b>	Performance Work Statement
<b>TM</b>	Technical Manual
<b>URS</b>	URS Federal Services, Inc.

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

*The Whistleblower Protection Ombudsman's role is to educate agency employees about prohibitions on retaliation and employees' rights and remedies available for reprisal. The DoD Hotline Director is the designated ombudsman. For more information, please visit the Whistleblower webpage at [www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/](http://www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/).*

### **For more information about DoD OIG reports or activities, please contact us:**

**Congressional Liaison**

703.604.8324

**Media Contact**

public.affairs@dodig.mil; 703.604.8324

**DoD OIG Mailing Lists**

[www.dodig.mil/Mailing-Lists/](http://www.dodig.mil/Mailing-Lists/)

**Twitter**

[www.twitter.com/DoD\\_IG](http://www.twitter.com/DoD_IG)

**DoD Hotline**

[www.dodig.mil/hotline](http://www.dodig.mil/hotline)



DEPARTMENT OF DEFENSE | OFFICE OF INSPECTOR GENERAL

4800 Mark Center Drive  
Alexandria, Virginia 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
Defense Hotline 1.800.424.9098

