Audit Report

OFFICE OF THE INSPECTOR GENERAL

U.S. ARMY, EUROPE PRE-POSITIONING REQUIREMENTS FOR WAR RESERVE MATERIEL

Report No. 94-189 September 12, 1994

Department of Defense

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Acronyms

AR	Army Reserve
CEGE	Combat Equipment Group Europe
NATO	North Atlantic Treaty Organization
NL/POMS	Netherlands Pre-positioned Organizational Materiel Sets Organization
POMCUS	Pre-positioned Materiel Configured to Unit Sets
TAACOM	Theater Army Area Command
USAREUR	U.S. Army, Europe, and Seventh Army
WRM	War Reserve Materiel

INSPECTOR GENERAL
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September 12, 1994

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on U.S. Army, Europe Pre-positioning Requirements for War Reserve Materiel (Report No. 94-189)

This final report is provided for your review and comments. It discusses Army pre-positioning requirements for war reserves in the European theater. Management comments on a draft of the report were considered in preparing the final report.

As a result of management comments, we redirected one recommendation. DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, the Army must provide final comments on the unresolved recommendations and monetary benefits by November 14, 1994. Comment requirements for the unresolved recommendations are at the end of each finding. Recommendations and monetary benefits are subject to resolution in accordance with DoD Directive 7650.3 in the event of nonconcurrence or failure to comment.

The courtesies extended to the audit staff are appreciated. If you have questions on this audit, please contact Mr. Harlan M. Geyer, Audit Program Director, at (703) 604-9593 (DSN 664-9593) or Ms. Evelyn R. Klemstine, Audit Project Manager, at (703) 604-9595 (DSN 664-9595). The distribution of this report is listed in Appendix E. The audit team members are listed inside the back cover.

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Assistant Inspector General
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Office of the Inspector General, DoD

Report No. 94-189 **September 12, 1994**
(Project No. 3RA-0030.03)

U.S. ARMY, EUROPE PRE-POSITIONING REQUIREMENTS FOR WAR RESERVE MATERIEL

EXECUTIVE SUMMARY

Introduction. War reserve materiel is materiel required, in addition to mobility equipment and primary operating stock, to sustain operations during the early stages of a crisis or contingency until resupply capabilities, at wartime rates, are established or the contingency ends, whichever occurs sooner. In 1978, the North Atlantic Treaty Organization developed the Long-Term Defense Plan to correct long-standing deficiencies in defense. An area the Plan identified for improvement was the reinforcement of Europe against a Warsaw Pact threat. Pre-positioned materiel configured to unit sets (POMCUS) was established to support a North Atlantic Treaty Organization reinforcement deficiency. The equipment authorization and the unit identification code for POMCUS identify the type and quantity of materiel to be included in the unit sets as well as the specific units for which the unit sets are configured.

Objective. The overall audit objective was to evaluate the continuing requirement for international agreements pertaining to the storage, maintenance, and use of war reserve stocks in Europe. Specifically, the audit was to determine whether the location and maintenance of the stocks were commensurate with current and anticipated operational requirements for U.S. military operations and the operations of the North Atlantic Treaty Organization multinational force. In addition, the audit evaluated the effectiveness of applicable internal controls. This report discusses the U.S. Army segment of the overall audit.

Audit Results. The concept of operations for POMCUS in the European theater is no longer valid in terms of U.S. military strategy and requirements. As a result, a significant amount of POMCUS equipment is not operationally ready and items are stored outdoors instead of in warehouses with humidity control (Finding A).

The Kingdom of the Netherlands and the United States do not equitably share labor expenses for the operation and maintenance of POMCUS equipment stored in the Netherlands. As a result, the United States pays about $10.6 million annually that directly benefits the government and local economy of the Netherlands. In addition, a similar arrangement is being drafted and negotiated with the Kingdom of Belgium that does not include labor cost-sharing provisions (Finding B).

The need for civilian and military personnel at the Headquarters, 21st Theater Army Area Command, was overstated. Eliminating 13 billets would result in $709,970 put to better use annually (Finding C).

Internal Controls. The audit identified no material internal control weaknesses. The controls assessed are described in Part 1 of the report.

Potential Benefits of Audit. Implementing the audit recommendations will result in $11.3 million put to better use annually or $67.9 million put to better use during the execution of the FY 1995 through FY 2000 Future Years Defense Program. Those and other benefits are described in Appendix C.

Summary of Recommendations. We recommended realigning POMCUS as part of the Army Reserve program and under the management of the Army Materiel Command; revising Army Regulation 710-1, "Centralized Inventory Management of the Army Supply System," March 1, 1988, to update the POMCUS concept of operations and to require that POMCUS equipment be physically stored by end item; renegotiating the General Arrangement with the Netherlands to eliminate charges for labor benefits and negotiating the Belgium arrangement to exclude charges for labor benefits; and eliminating 13 billets from the Headquarters, 21st Theater Army Area Command, Table of Distribution and Allowances.

Management Comments. The Army concurred with 9 of the 10 recommendations. The Army nonconcurred with the recommendation to delete the concept of operation requirement that POMCUS be rapidly issued by unit set. We redirected Recommendation B.1. to the Commander in Chief, U.S. Army Europe and Seventh Army, because after issuance of our draft report, the Commander in Chief, U.S. European Command, delegated the authority to renegotiate the agreement between the Kingdom of the Netherlands and the United States for POMCUS storage. Details on managements' comments and audit responses are in Part II of the report, and the full texts of managements' comments are in Part IV. We ask that the Army provide comments on the unresolved issues by November 14, 1994.

Table of Contents

Executive Summary i

Part I - Introduction 1

Background 2
Objectives 3
Scope and Methodology 3
Internal Controls 4
Prior Audits and Other Reviews 4

Part II - Findings and Recommendations 7

Finding A. Operational Requirements for POMCUS 8
Finding B. Cost Sharing for POMCUS Labor Expenses 18
Finding C. 21st TAACOM Personnel Requirements 25

Part III - Additional Information 31

Appendix A. 21st TAACOM Organizational Elements 32
Appendix B. Summary of Billets and Resultant Potential Monetary Benefits 34
Appendix C. Summary of Potential Benefits Resulting from Audit 35
Appendix D. Organizations Visited Or Contacted 37
Appendix E. Report Distribution 39

Part III - Management Comments 41

Department of the Army 42
U.S. European Command 47

Part I - Introduction

Background

European Theater of Operations. The U.S. European Command is the DoD organization with responsibility for the European theater of operations. The U.S. European Command's primary mission is to provide combat ready forces to support U.S. commitments to the North Atlantic Treaty Organization (NATO). Although the U.S. European Command makes planning for a NATO conflict its first priority, planning for unilateral and multilateral contingencies is also part of its mission. The contingency plans range from humanitarian relief to supporting friendly governments with supplies and combat troops. Headquarters, U.S. Army, Europe, and Seventh Army (USAREUR), is the ground component of the U.S. European Command and a key element of NATO.

War Reserve Materiel. War reserve materiel (WRM) is materiel required, in addition to mobility equipment and primary operating stock, to sustain operations during the early stages of a crisis or contingency until resupply capabilities at wartime rates is established or the contingency ends, whichever occurs sooner. DoD Directive 3110.6, "War Reserve Materiel Policy," April 25, 1994, states:

> Once acquired, war reserve materiel inventories shall be positioned either as starter stocks or as swing stocks, or a combination. The procurement of these stocks shall not exceed the requirement for sustainability planning approved in the Secretary of Defense planning guidance. Starter stocks are war reserve materiel that is located in or sufficiently near a theatre of operations to support the conduct of military operations until resupply at wartime rates is established, or the contingency ends, whichever occurs sooner. Swing stocks are positioned afloat or ashore and are capable of supporting requirements of more than one contingency in more than one theatre of operations. Swing stocks will be used to complement starter stocks as follow-on source of supply in a regional contingency.

Pre-positioned Materiel Configured to Unit Sets (POMCUS). In 1978, NATO developed the Long-Term Defense Plan (the Plan) to correct long-standing deficiencies in defense. An area identified in the Plan for improvement was the reinforcement of Europe against a Warsaw Pact[1] threat. The POMCUS program was established as an integral part of USAREUR's effort to support NATO through the Plan. The equipment authorization and the unit identification code[2] for POMCUS identifies the type and quantity of materiel to be included in the unit sets as well as the specific units for which the unit sets are configured. The unit sets are contained in the POMCUS authorization document, which is approved by the Chief of Staff, Headquarters, Department of the Army. POMCUS equipment on hand never reached

[1] The Warsaw Pact included the former Soviet Union, East Germany, and Czechoslovakia; and Poland, Hungary, and Romania.

[2] A six-character, alphanumeric code that uniquely identifies each Active, Reserve, and National Guard unit of the Armed Forces.

100 percent of its authorization. For example, before Operation Desert Storm, POMCUS equipment on hand was at 60 percent of its authorized level. The FY 1994 POMCUS authorization document, approved in June 1993, significantly decreased the amount of POMCUS authorized for storage in the FY 1993 POMCUS authorization document: 6 brigades and 336 unit sets were reduced to 4 brigades and 150 unit sets. Even though equipment authorizations decreased significantly under the POMCUS authorization document, the percentage of POMCUS on hand will increase to 84 percent of its authorized level.

Combat Equipment Group Europe. The Combat Equipment Group Europe (CEGE) has the mission of receiving, configuring, storing, maintaining, and issuing POMCUS equipment. CEGE is a subordinate command of the 21st Theater Army Area Command (TAACOM). Four Combat Equipment Battalions at 15 POMCUS sites accomplish the mission. However, with the equipment reduction authorization identified in the FY 1994 POMCUS authorization document, the number of POMCUS equipment sites needed to store and maintain POMCUS will be reduced from 15 to 7 sites.

Objectives

The overall audit objective was to evaluate the continuing requirement for international agreements pertaining to the storage, maintenance, and use of war reserve stocks in Europe. Specifically, the audit was to determine whether the location and maintenance of the stocks were commensurate with current and anticipated operational requirements for U.S. military operations and the operations of the NATO multinational force. In addition, the audit evaluated the effectiveness of applicable internal controls. This report discusses the U.S. Army segment of the overall audit.

Scope and Methodology

Audit Methodology. We reviewed the USAREUR WRM mission and pre-positioning objectives to include a review of pertinent international agreements; operational planning data; projected Headquarters, 21st TAACOM, force structure; and applicable DoD and Army regulations. In addition, we reviewed the European POMCUS program. As of October 1, 1993, annual operation and maintenance costs for the POMCUS program totaled $134.5 million, and POMCUS on hand for the theater was valued at $5.4 billion. The documents we reviewed were dated from October 1986 through April 1994. We did not rely on computer-processed data to develop audit conclusions.

Scope Limitations. We did not review the Army Readiness Package South Program located at Camp Darby, Italy, because the Army Audit Agency had

performed a comprehensive review of that program (see Prior Audits and Other Reviews for review results). In addition, we did not review USAREUR's WRM munitions requirements because during the initial phase of our audit, USAREUR had an extensive retrograde program to relocate WRM munitions from the European theater to the continental United States.

Audit Period and Standards. This program audit was made from April 1993 through April 1994 at the organizations listed in Appendix D. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly, included such tests of internal controls as were considered necessary.

Internal Controls

We evaluated internal controls related to international agreements and the requirements for Army WRM in the European theater. Specifically, we evaluated policies and procedures in relevant command instructions and regulations pertaining to the negotiation and conclusion of international agreements and the identification, validation, and submission of WRM requirements. The U.S. European Command and USAREUR do not have assessable units for the WRM requirements determination process. However, the audit identified no material internal control deficiencies as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987.

Prior Audits and Other Reviews

Inspector General, DoD. Inspector General, DoD, Audit Report No. 94-046, "Quick-Reaction Audit Report on an Arrangement with Luxembourg for U.S. War Reserve Storage and Maintenance," February 25, 1994, concluded that an international agreement for theater storage in Luxembourg no longer supported a valid military requirement. In addition, the report concluded that if USAREUR was to give termination notice before April 1, 1994, operating costs of $27 million could be avoided in FY 1995 and each year thereafter. The report recommended termination of the implementing arrangement with Luxembourg for war reserve storage sites located at Sanem and Bettembourg/Dudelange. The Department of the Army, responding in February 1994, nonconcurred with the recommendation; however, in March 1994, the Department of the Army reversed its position and agreed to close the storage sites. During the base closure consultation process, the government of Luxembourg proposed new operating costs that reduced the cost for using the storage sites to $12.6 million annually. Based on those reduced costs, the U.S. European Command took Luxembourg off the base closure announcement. The Deputy Inspector General, DoD, nonconcurred with that

action. On June 16, 1994, the Secretary of Defense announced the next iteration of base and facility closures in Europe. The Luxembourg storage sites were not in that Secretary of Defense announcement.

Army Audit Agency. Army Audit Agency Report No. NR 94-301, "War Reserves, U.S. Army Southern European Task Force," June 7, 1994, concluded that USAREUR's WRM requirements had not been determined; WRM was not maintained in a serviceable condition, adequately safeguarded, or properly accounted for; temporary loans of WRM assets were generally justified, but not properly accounted for; and the Army Internal Management Control Program as it related to WRM was not effective, because key internal controls were lacking. The audit report recommended that USAREUR, 21st TAACOM, and the U.S. Army Southern European Task Force:

- o discontinue shipments of equipment to the support center,
- o conduct a wall-to-wall inventory,
- o forecast a maintenance work load,
- o prepare a comprehensive maintenance plan,
- o postpone training exercises until the maintenance backlog was manageable,
- o obtain additional maintenance personnel to meet the maintenance requirement,
- o change procedures for the receipt of items, and
- o establish a quality control system.

Finally, the report recommended that the U.S. Army Southern European Task Force obtain additional personnel to perform required cyclical inspections, train inventory personnel on proper inventory procedures, establish a locator system for temporary outdoor storage areas, and develop a compatible inventory system. Officials from USAREUR, 21st TAACOM, and the U.S. Army Southern European Task Force, agreed with the findings and recommendations and stated they had taken or would take corrective action.

Part II - Findings and Recommendations

Finding A. Operational Requirements for POMCUS

The concept of operations for POMCUS in the European theater is no longer valid. The Army has not changed the mission requirements for POMCUS, even though changes to the threat to the European theater no longer require that POMCUS equipment be stored by unit sets to facilitate rapid deployment of units from the continental United States into the theater. As a result, a significant amount of POMCUS equipment is not operationally ready and items are stored outdoors instead of in warehouses with humidity control.

Army WRM Program

In February 1992, the Army's WRM program changed when Headquarters, Department of the Army, eliminated the requirement to pre-position theater WRM in Europe. As a result of the Army's difficulty in obtaining WRM equipment for Operation Desert Storm from some theater commanders, the Army established the Army Reserve (AR) program for pre-positioning war reserve materiel. At the time of the audit, the Deputy Chief of Staff, Logistics, Headquarters, Department of the Army, was revising Army Regulation 710-1, "Centralized Inventory Management of the Army Supply System," February 1, 1988, to establish a new WRM policy for the Army.

AR Packages. The revised draft of Army Regulation 710-1 states that the AR program will be composed of four categories of WRM: sustainment, operational project stocks,[4] pre-positioned sets,[5] and component hospital decrement.[6] Those AR packages are to be positioned in five areas of the world and are categorized as follows.

o Category AR-1 is positioned in the continental United States and includes sustainment and operational project stocks.

o Category AR-2 is positioned in Europe and includes sustainment, operational project stocks, and pre-positioned sets.

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[4] A stockpile of equipment, consisting of materiel requirements above normal allowances, used to support one or more approved Army operational requirements.

[5] Selected major end items of equipment and supplies configured to unit sets necessary to support strategic deployment of an operation plan.

[6] Deployable medical systems, medical materiel sets, medical supplies, and other supplies required to equip Reserve component hospitals.

o Category AR-3 is positioned at sea and includes sustainment, operational project stocks, and pre-positioned sets.

o Category AR-4 is positioned in the Pacific and includes sustainment, operational project stocks, pre-positioned sets, and war reserve stocks for allies.

o Category AR-5 is positioned in Southwest Asia and includes sustainment, operational project stocks, and pre-positioned sets.

Management of AR Packages. The revised, draft Army Regulation 710-1 states that Headquarters, Department of the Army, owns the AR packages. The Army Materiel Command and the Office of the Surgeon General (for medical supplies) will program, manage, acquire, account and budget for, and maintain AR equipment. The Office of the Deputy Chief of Staff for Logistics, Headquarters, Department of the Army, acts as the executive agent for the AR packages.

Management of POMCUS. The revised draft Army Regulation 710-1 does not include POMCUS as a part of the AR packages, but states that POMCUS would be accounted for in the same manner as AR pre-positioned sets. The POMCUS program executive agent is the Office of the Deputy Chief of Staff for Operations, Headquarters, Department of the Army. Management and accountability of POMCUS are the responsibilities of the Commander in Chief, USAREUR.

POMCUS Equipment Issue Concept

The original POMCUS concept of operation required that timely support be provided to 12 brigades in the event of deployment to the European theater. POMCUS equipment was to be placed at or near its point of anticipated use to reduce reinforcement reaction time, requiring that only personnel and limited additional equipment be transported into the theater during the deployment phase. Timely support was defined as meeting the time-phased force deployment requirement of the U.S. European Command's operational plan. During the late 1980's, POMCUS equipment could be issued in as few as 6 hours for a company sized unit, to 22 hours for a battalion sized unit.

New Military Strategy. Changes in the world's geopolitical situation have altered the threats facing the United States and its allies in the European theater. The United States no longer plans for global warfare with heavy engagement on the Central Front in Europe, but for two major regional conflicts. The "Defense Planning Guidance FY 1995-1999," September 23, 1993, defines a major regional conflict as having an "aggressor launch a short-notice, armor heavy, combined arms offensive against the outnumbered forces of a neighboring state." For planning and programming purposes, the "Bottom Up Review," October 1993, and the Defense Planning Guidance, FY 1995-1999, identify the European theater as a less likely regional conflict area than other parts of the world. The U.S. European Command's role in a lesser regional

conflict is to help maintain peace and to provide intervention operations. The U.S. involvement would be as part of a multinational effort under the auspices of the United Nations or another international body. Those changes in the U.S. military strategy have resulted in a lower requirement for pre-positioning equipment in the European theater and have increased the number of days Army units have to deploy and receive POMCUS equipment.

Use of POMCUS as a Swing Stock. Headquarters, Department of the Army, has defined its swing stocks as AR packages positioned on land or at sea to meet WRM requirements for more than one contingency, in more than one theater of operation. To meet the WRM requirements for two major regional conflicts, the Army plans to include POMCUS as a swing stock when the U.S. European Command is not the primary warfighting command. As a swing stock, the POMCUS equipment will be transported either by rail or by sea to its point of intended use, and thus, the pre-positioning of the equipment will not require the rapid issuance concept of operation envisioned under the POMCUS program.

Use of POMCUS as a Starter Stock. If the U.S. European Command becomes the primary warfighting command, the POMCUS equipment would become the theater's starter stock. The POMCUS equipment would be issued by unit sets to units deploying from the continental United States, to resupply those units that had already deployed from the theater. As a result, the U.S. European Command's operational plans for POMCUS no longer support the requirement for rapid issuance of equipment by unit set.

Units Designated to Use POMCUS

The POMCUS concept of operation for the European theater requires that equipment be designated for use by a specific continental United States unit to assist in the rapid deployment objective. The unit sets consisted of required equipment shown in the receiving unit's Modified Table of Organization and Equipment. The receiving unit was responsible for reporting the readiness rating of the equipment stored in POMCUS. By pre-positioning the equipment shown on the receiving unit's Modified Table of Organization and Equipment, timely support of the operational plan was assured during the initial phases of a deployment.

Units Assigned to Receive POMCUS. Specific units are no longer assigned to receive POMCUS equipment. At the time of the audit, Headquarters, Department of the Army, was reconfiguring a new POMCUS authorization document to a generic Table of Organization and Equipment based on a basic unit type (for example, infantry or armor). The generic configuration allows any basic unit to receive POMCUS equipment and provides Headquarters, Department of the Army, the flexibility to use the POMCUS equipment as a swing stock. The AR packages will also be generically preconfigured and will

not be configured for a specific unit from the United States. As a result, the generic configuration for POMCUS unit sets will be identical to the AR package configuration.

Reporting Readiness of POMCUS Equipment. Equipment readiness indicates the combined effects of equipment shortages and maintenance shortfalls, or a unit's ability to meet wartime requirements. When specific units were designated to use POMCUS equipment, those designated units reported the readiness rating of the equipment stored in POMCUS. However, because specific units are no longer designated, USAREUR reports the equipment readiness rating for 20 major end items stored in POMCUS. Readiness ratings for the AR packages are based on the required configuration of the AR end item stored. Thus, the readiness reporting of POMCUS by major end item, or end item, is similar to the readiness reporting of the AR program.

Maintenance of POMCUS Materiel

Maintenance Standards. The POMCUS concept of operation requires that the equipment be maintained at 10/20 standards.[7] Maintenance of POMCUS equipment has been defined as those inspections, tests, repairs, and modification actions performed to verify that the equipment is ready for issuance within the prescribed reaction time. Equipment placed in POMCUS was to be new equipment or equipment already at 10/20 standards. New equipment, or equipment obtained at 10/20 standards, allow CEGE personnel to properly maintain stored equipment by performing only organizational level maintenance in a minimum amount of time with a reduced force structure.

POMCUS Cyclic Maintenance Program. Under the POMCUS program, each piece of equipment within a designated unit set is scheduled for cyclic maintenance. This procedure allows a portion of the stored equipment at each CEGE site to receive maintenance annually. Equipment stored in humidity controlled warehouses is required to undergo cyclic maintenance every 48 months. Equipment not stored in humidity controlled warehouses is scheduled for cyclic maintenance every 24 months.

CEGE's Maintenance Work Load. The constant movement of equipment, that is, transferring equipment in 10/20 condition and receiving equipment in substandard condition, significantly reduced the effectiveness of the CEGE maintenance program. After Operation Desert Storm, CEGE went from a "pull-it-out, check-it operation," to a depot maintenance operation, because all Army depot maintenance facilities in theater had been closed. Depot-level maintenance operations require far more maintenance hours per equipment item than the CEGE personnel structure was designed to support. As

[7] Standards identified in multiple Department of the Army technical manuals that require equipment to be at its highest condition of safety, serviceability, and reliability.

previously discussed, the standard for receipt of POMCUS equipment required the equipment to be new or already at 10/20 standards. CEGE sites could not maintain the 10/20 standard for receipt of POMCUS equipment returned from Operation Desert Storm and from units deactivating from the European theater. CEGE personnel received the equipment "as is," which was far below the 10/20 standard.

Hours Required to Maintain Equipment. Before Operation Desert Storm, CEGE personnel expended an average of 133 maintenance hours on an armored vehicle. Equipment returned from Operation Desert Storm, however, was in very poor condition, increasing the average expended maintenance hours on an armored vehicle to 229 hours. Armored vehicles received from units deactivating in the theater were in even worse condition, requiring an average of 254 maintenance hours. CEGE's force structure was not designed for that level of maintenance, and consequently was not able to maintain the POMCUS equipment in accordance with the POMCUS concept of operation requirement.

POMCUS Maintenance Backlog. The majority of the CEGE's scheduled maintenance work load during FY 1993 consisted of cyclic maintenance; noncyclic maintenance (to include equipment returned from Operation Desert Storm and deactivating units); and maintenance that was scheduled for FY 1992, but was not performed. At the end of FY 1993, nearly half (48.2 percent) of the scheduled cyclic maintenance had not been performed. The overall backlog of all FY 1993 equipment maintenance was 38.9 percent. As a result, a significant portion of POMCUS equipment was not operationally ready to support future Army missions.

Storage Requirements

The POMCUS concept of operations requires long-term storage of equipment. The revised draft Army Regulation 710-1 requires that POMCUS equipment be stored by unit sets to maintain unit integrity and to allow for rapid issuance. The requirement to store POMCUS by unit sets is not efficient and is the most costly method used for storing and maintaining pre-positioned equipment. The planned use of POMCUS equipment as Department of the Army swing stock, the POMCUS equipment maintenance backlog, and the issuance of POMCUS equipment for recent Army missions require that the need to physically store POMCUS by unit sets be reevaluated.

Use of POMCUS for Recent Army Missions. From November 1990 through March 1993, POMCUS equipment was issued to support various worldwide contingencies and humanitarian efforts. POMCUS equipment has been issued for 10 significant Army missions, to include Operation Desert Storm, Operation Provide Promise, and Operation Provide Comfort. Table 1. provides the approximate number of items issued for the various missions.

Table 1. Issuance of POMCUS Materiel

Mission	POMCUS Items Issued
Operation Desert Storm	59,215
Operation Provide Promise	149
Operation Provide Comfort	10
Angola	36
Somalia	29
Engineering Restructuring Initiative	108
Commander in Chief Initiatives	1,408
Foreign Sales	117
AR-2	6,776
Temporary Loan	21

To meet the requirements of the mission's requesting commander and to facilitate the transportation of the equipment to the equipment's point of intended use, the equipment involved in the above operations was issued by end item and not by unit set.

Storage of POMCUS Materiel. Army Regulation 740-1, "Storage and Supply Activity Operations," April 1971, requires that POMCUS equipment be stored in humidity controlled warehouses when available. When humidity controlled warehouses are not available, POMCUS may be stored outdoors in unprotected areas. Each item of POMCUS equipment has been designated for indoors or outdoors storage based on the equipment's size and ability to withstand weather conditions.

Computing Warehouse Requirements for Unit Sets. When officials at Headquarters, CEGE, received the FY 1994 POMCUS authorization document, they assigned unit sets to each CEGE site and computed the number of needed humidity controlled warehouses to store the equipment. CEGE officials computed storage requirements using 325 major end items requiring the largest amount of storage space. The number of humidity controlled warehouses needed to store the items on the FY 1994 POMCUS authorization document was computed using a standard warehouse measurement of 3,540 square meters. CEGE officials computed POMCUS unit set storage requirements by adding 33 percent to the measurements of the 325 major end items. The 33 percent allowed for aisle space needed between the different types of equipment and any storage space loss due to columns in the warehouse. CEGE determined that 135 humidity controlled warehouses would be needed to meet the FY 1994 storage requirements. However, the approved U.S. European Command's POMCUS site plan for the items on the FY 1994 POMCUS authorization document provided for only 127 humidity controlled warehouses.

Computing End Item Warehouse Requirements. Storing equipment configured by unit sets increases the amount of space needed to store equipment because items of different shapes and sizes are stored next to one another. However, physically storing POMCUS equipment in an end item configuration would allow all like items at a CEGE site to be stored in the same warehouse, resulting in space utilization efficiencies as well as efficiencies in both cyclic inventory and maintenance operations.

Efficiencies in Space Utilization. We computed storage requirements based on an end item storage configuration and determined that about 10 percent (or 13 humidity controlled warehouses) of the 135 warehouses could be used for other purposes by storing POMCUS equipment by end item at a CEGE site. Unit set integrity was maintained for determining the POMCUS equipment requirements and assigning unit sets to CEGE sites. However, we computed the physical storage of the authorized equipment at each site by placing all like items at a CEGE site in the same warehouse or by end item. Audit computation results are shown in Table 2.

Table 2. Warehouse Storage Requirements

	Warehouses		
POMCUS Site	By Unit Set Storage	By End Item Storage	Difference
Miesau, Germany	13.8	12.6	1.2
Zutendaal, Belgium	28.3	25.7	2.6
Brunssum, Belgium	20.8	18.7	2.1
Vriezenveen, Netherlands	17.3	15.3	2.0
Coevorden, Netherlands	13.8	12.1	1.7
Eygelshoven, Netherlands	10.9	9.9	1.0
Bettembourg/Dudelange, Luxembourg	29.8	26.7	3.1

Other Efficiencies Achieved by End Item Storage. Physically storing POMCUS by like item also reduces the amount of time required to perform cyclic inventories because the same type of equipment would be collocated. Additionally, cyclic maintenance costs for items designated for outdoor storage would be cut in half by increasing indoor storage and by allowing that equipment to be stored in humidity controlled warehouses. The issuance time for individual items of equipment would also be decreased under this storage concept, and on-site moves due to POMCUS authorization document changes would be eliminated. In addition, any further decreases in the number of items on the POMCUS authorization document could result in the closure of a CEGE site with resultant cost savings.

Conclusion

The Army established the POMCUS program to meet a Warsaw Pact threat that required a rapid reinforcement of the European theater by continental United States units. The Bottom Up Review and the Defense Planning Guidance no longer support planning against a Warsaw Pact threat, but instead require planning for two major regional conflicts, neither of which is anticipated to occur in the European theater. The Department of the Army, however, continues to maintain POMCUS as a separate WRM program for Europe. The POMCUS equipment is physically needed in theater to support theater starter stock and Department of the Army swing stock requirements. However, the need to retain a POMCUS WRM program that is separate from the Army's AR program and under different Department of the Army managers is no longer prudent. In addition, the Department of the Army needs to reevaluate its requirement to physically store POMCUS equipment by unit set.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Chief of Staff, Department of the Army, realign pre-positioned materiel configured to unit sets as part of the Army Reserve program and under the management of the Army Materiel Command.

Management Comments. The Army concurred with the recommendation stating that a May 1994, Chief of Staff, Department of the Army, message, "AMC [Army Materiel Command] Management of all Army Reserves (AR) and POMCUS," directed USAREUR to transfer management and accountability of Central European POMCUS to the Army Materiel Command no later than the end of FY 1995.

2. We recommend that the Deputy Chief of Staff for Logistics, Department of the Army, revise Army Regulation 710-1, "Centralized Inventory Management of the Army Supply System," to:

a. Delete the concept of operation requirement that pre-positioned materiel configured to unit sets be rapidly issued by unit set.

Management Comments. The Army nonconcurred with the recommendation, stating that although recent experience indicates the equipment may not be issued by unit sets within the theater, the equipment may be shipped out of theater as a swing stock, by unit set, and the requirement may be for rapid shipment.

Audit Response. Although POMCUS equipment will be used as a swing stock to support other warfighting Commander in Chiefs, the need to issue POMCUS in as few as 6 hours for a company sized unit to 22 hours for a battalion sized unit is no longer valid. The Army is pre-positioning equipment for a brigade sized unit on ships. Those ships will be the first to satisfy urgent requirements for a warfighting Commander in Chief confronted by hostilities. The POMCUS equipment will serve to replace pre-positioned equipment on ships. Thus issuance for a battalion sized unit in 22 hours is no longer a valid scenario for planning purposes. We request that the Department of the Army reconsider its position in response to the final report.

b. Delete the concept of operation requirement that pre-positioned materiel configured to unit sets be designated for specific units.

Management Comments. The Army concurred with the recommendation, stating that unit sets are no longer assigned to specific continental United States based units and that the unit sets were generic in design to allow any heavy brigade to receive any unit set.

c. Require that the pre-positioned materiel configured to units sets equipment be physically stored by end item.

Management Comments. The Army concurred with the recommendation, stating that the intent of the recommendation is to maximize inside warehouse storage of vehicles and equipment. The Army stated that it is consolidating and maximizing inside storage to the fullest extent possible. The most recent iteration of base and facility closures in Europe resulted in seven remaining POMCUS sites with 127 humidity controlled warehouses. All equipment will be stored indoors, except for those pieces too large to fit inside. The vehicles and equipment will be stored by brigade sets at the sites, but when indoor storage is necessary, they will be stored in a motor pool type configuration, that is, tanks stored next to other tanks and tank-like vehicles. The vehicles and equipment will be parked in a ready-to-issue state, that is, stored with component items, such as a radio already installed.

Audit Response. Although the Army concurred with Recommendation A.2.c., the response does not meet the intent of the recommendation. The recommendation requires POMCUS equipment to be physically stored by end item in order to maximize indoor storage capacity with the eventual goal of eliminating a POMCUS site as further reductions in the POMCUS authorization document occur. Therefore, we request that the Department of the Army reconsider the actions to be taken on Recommendation A.2.c. and provide the implementation dates for those actions.

3. We recommend that the Commander in Chief, U.S. Army, Europe, and Seventh Army, recompute pre-positioned materiel configured to unit sets storage requirements based on end item storage to reduce the amount of equipment stored outdoors.

Management Comments. The Army concurred with the recommendation, stating that computations were ongoing. Except for oversized vehicles, all vehicles and equipment will be stored inside.

Audit Response. Action taken meets the intent of the recommendation. We request that the anticipated date for implementation be provided in response to this report.

Finding B. Cost Sharing for POMCUS Labor Expenses

The Kingdom of the Netherlands and the United States do not equitably share labor expenses for the operation and maintenance of POMCUS equipment stored in the Netherlands. The general arrangement[8] concerning storage of U.S. equipment did not contain labor cost-sharing provisions. As a result, the United States pays a disproportionate share of labor costs for the operation and maintenance of POMCUS. About $10.6 million annually in labor costs directly benefits the government and local economy of the Kingdom of the Netherlands. In addition, a similar arrangement is being drafted and negotiated with the Kingdom of Belgium that does not include labor cost-sharing provisions.

U.S. Efforts To Increase Allied Cost Sharing

Host Nation Benefits From U.S. Presence. Because of the U.S. commitment to NATO, U.S. forces and equipment are permanently stationed in Europe. As a result of those deployments, host nations benefit economically from U.S. presence in two ways. First, the host country is able to avoid spending additional money on defense because U.S. forces are present as protectors. Second, expenditures made pursuant to an international agreement benefit the local economy.

Congressional Actions Related to Allied Cost Sharing. Recent congressional actions have sought to increase allied cost sharing for U.S. overseas facilities to include NATO nations that store U.S. pre-positioned combat equipment. In the FY 1990 and FY 1991 National Defense Authorization Acts, the Congress expressed its concern that the United States was bearing a disproportionate responsibility of the costs for the mutual defense of NATO. The FY 1993 National Defense Authorization Act was more specific as to how DoD was to increase cost sharing initiatives with U.S. allies. Congress reduced the amount appropriated to DoD for operation and maintenance of, and military construction projects for, overseas facilities by $500 million. Only two conditions were permitted to offset that reduction: increased host nation support, or accelerated withdrawal of U.S. forces or equipment from the European theater. In addition, the Congress established negotiating criteria to increase cost sharing. The criteria included labor, military construction and real property maintenance, and assurance that host nation goods and services were provided to the United States at minimum cost and without a user fee.

[8] "General Arrangement Concerning Storage in the Netherlands by U.S. Forces between the State Secretary of Defense of the Kingdom of the Netherlands and the Deputy Commander in Chief, United States European Command"

Asia-Pacific Allies Cost Sharing Initiatives

U.S. allies in the Asia-Pacific region have responded positively to more equitable cost sharing proposals. The FY 1992 and FY 1993 National Defense Authorization Acts state that for the first time, the government of Korea agreed to share labor costs in Korea. In addition, the FY 1993 National Defense Authorization Act states that the U.S.-Japan Host Nation Support Agreement of 1991 should be a model for all U.S. overseas facilities agreements. The 1991 U.S.-Japan Host Nation Support Agreement obliged the Japanese to pay a larger share of costs associated with U.S. facilities located in Japan. Successful negotiations with the governments of Korea and Japan regarding labor cost sharing indicate that a great potential exists for other U.S. allies to assume a larger portion of foreign national labor costs.

Netherlands General Arrangement

Background. In 1978, the U.S. Government asked the Kingdom of the Netherlands to pre-position one and one-third divisions of POMCUS combat equipment within the Netherlands. The pre-positioning of equipment would allow rapid issuance of equipment for Continental United States units designated to reinforce Europe. In 1979, the Kingdom of the Netherlands Council of Ministers approved the U.S. request. The "General Arrangement Concerning Storage in the Netherlands by U.S. Forces between the State Secretary of Defense of the Kingdom of the Netherlands and the Deputy Commander in Chief, United States European Command" (the Arrangement), was signed March 23, 1981.

Responsibilities Assigned to the Netherlands and United States. Under the terms and conditions of the Arrangement, the Ministry of Defense of the Netherlands assigned the Netherlands Pre-positioned Organizational Materiel Sets Organization (NL/POMS) the responsibility of performing all the contractually agreed upon services. The mission of the NL/POMS was to receive, configure, store, maintain, and issue POMCUS for rapid reinforcement of Europe. Netherlands responsibilities involved the management of the mission, which included verification that POMCUS was ready for rapid issue, site operation, security, facility maintenance, and personnel administration. U.S. responsibilities included assigning missions and priorities, property accountability, quality assurance, training and technical assistance, and contract administration.

Netherlands Sites and Associated Costs. The Arrangement was used in the best interest of the Netherlands, and the POMCUS sites were located in the northeastern and southern regions of the country to create jobs in economically depressed areas. As of April 1994, five POMCUS sites were operational in the Netherlands: Brunssum, Vriezenveen, Coevorden, Ter Apel, and Eygelshoven. For FY 1993, actual costs for the NL/POMS operation totaled $40.2 million, of

which $35.4 million (88 percent) involved labor expenses. Budgeted costs for FY 1994 totaled $43 million, of which about $37.2 million (86.5 percent) is labor expense.

Netherlands Social Benefit Costs

The Arrangement states that the Ministry of Defense of the Netherlands was to be reimbursed all allowable costs incurred in the performance of services. In addition, Annex B to the Arrangement specifically allows reimbursement of costs for salaries, to include employer's contributions to various social benefit programs, in accordance with the Kingdom of the Netherlands civil servant regulations. For FY 1994, about $10.6 million (see Appendix C) in budgeted costs will directly benefit the government and local economy of the Netherlands.

Contributions to the National Civil Pension Fund. Under the Arrangement, the United States pays into the Netherlands National Civil Pension Fund. That fund covers retirement benefits to all civil servants, deceased civil servant dependents, and those civil servants under the age of 65 terminated due to a disability. All Netherlands government organizations, to include the NL/POMS, are legally obligated to place their pension funds with the National Civil Pension Fund. As a result, the U.S. payments made to the National Civil Pension Fund support the government of the Netherlands' financial infrastructure. In 1986, the pension fund contribution rate was set at 21.5 percent of an employee's salary, and the contribution costs were shared by the employer and the employee. However, the actual contribution rates have been lowered due to the government of the Netherlands policy of tax reduction for employers. The contribution percentage for 1994 has been established at 8.8 percent. Of the 8.8 percent, an NL/POMS civil servant pays an average premium of 1.7 percent. The U.S. contribution to the pension fund was about 7.1 percent of the employee's salary. USAREUR's actual costs for FY 1993 totaled $1.8 million. The budgeted costs for FY 1994 total $2.6 million.

Premium Compensation to the Netherlands National Insurance System. The government of the Netherlands benefits by USAREUR's reimbursement of employee premium payments to the Netherlands National Insurance System. Under the National Insurance System, all citizens in the Netherlands are covered by the Disability Act and the Special Health Care Act. The Disability Act ensures that every employed Netherlands citizen receives a minimum wage in the event of a permanent disability, no matter the cause. To cover the costs of long-term illness or disabilities, the Special Health Care Act was enacted by the government of the Netherlands. Care costs for nursing homes and institutions for mentally and physically handicapped are covered under the Special Health Care Act. Until December 31, 1989, the employer was responsible for payment of the premiums. Depending on the actual annual cost of the two acts, the premium varied from 11.5 percent to 13.5 percent of each employees annual salary.

Effective January 1, 1990, premiums were payable by the employee. To offset the deduction in the employee's net salary, a compensatory measure charged to the employer was established by the government of the Netherlands. This premium compensation equaled about 11 percent of an employee's gross salary. Netherlands law requires annual costs of the two acts be covered by the premium compensation payments made that year. As a result, USAREUR's payments of the premiums contribute directly to the financial infrastructure of the Netherlands National Insurance System. USAREUR's FY 1993 actual expenses for the premium compensation was $2.2 million. The budgeted costs for FY 1994 totaled $2.5 million.

Reimbursement of Medical Insurance Premiums. USAREUR is also obligated to reimburse the government of the Netherlands for partial payment of premiums for medical insurance provided by Netherlands private insurance companies. All Netherlands civil servants are eligible for compensation for medical insurance. In addition, civil servants may be eligible under certain conditions for compensation for the premiums paid for spouses or children. About 50 percent of policy premiums is designated for compensation for the civil servant, the spouse, and children. The payments made by USAREUR to reimburse the government of the Netherlands for the premium expenditures directly contributed to the private insurance companies' profits. The profits in turn benefited the economy of the Netherlands. In FY 1993, USAREUR reimbursed $2.1 million for health insurance premiums. FY 1994 budgeted costs are also expected to total $2.1 million.

Long-Term Sick Leave Pay. An additional entitlement all Netherlands civil servants receive is sick pay during long periods of absenteeism. Long-term sick leave is defined as any sickness or physical or mental disorders resulting in absenteeism in excess of 6 months. As of March 1994, 66 NL/POMS employees were on long-term sick leave. The NL/POMS budget did not provide for the costs associated with individuals on long-term sick leave because it was impossible to forecast the requirements of the cost element. However, since the average salary for NL/POMS employees was about $32,965, we calculated the cost to be about $2.2 million for FY 1994. USAREUR is obligated under Netherlands law to reimburse the full cost of the employees' salaries for a 12-month period. After 12 months, the National Civil Pension Fund refunds the employing activity a maximum of 70 percent of the statutory minimum pay per month, in accordance with the General Disability Act. After 18 months, the sick pay is reduced to 80 percent of the employee's salary.

The policy for NL/POMS was not to hire temporary personnel to replace sick personnel for up to 6 months. For sick leave longer than 6 months, NL/POMS policy did not involve hiring temporary personnel to replace production personnel and prescribed replacing administrative personnel only under specific conditions. The duties of the individual on long-term sick leave were to be absorbed by the available work force. In addition, based on the Arrangement, NL/POMS was unable to remove the civil servant from the work force or budget after 12 months of absenteeism. With USAREUR absorbing the costs of

long-term sick leave, its budget was burdened with the costs, and the storage and maintenance operation of the POMCUS sites were adversely affected by an understrength work force.

Self-Development Training and Associated Travel. The Netherlands has directly benefited from the establishment of a well-educated work force due to USAREUR's reimbursement of job-essential and self-development training. Self-development training is not job essential, but a social benefit all Netherlands civil servants are entitled to and is also included in the Arrangement. This training is initiated by the employee and can ultimately qualify the employee for a better position within or outside NL/POMS. The contracting officer has determined that since self-development training is not job essential, only 50 percent of the costs for the training in addition to all the associated travel costs would be reimbursed. FY 1993 actual costs for self-development training and associated travel were $23,808. A total of $79,120 was budgeted for FY 1994. The difference in the dollar amounts for the 2 fiscal years was due to the difficulty NL/POMS officials had in making a reliable forecast of training costs. In addition, the difference was also related to the USAREUR fiscal year and the Netherlands calendar year and to the dissimilarity of the U.S. and Netherlands academic years. Therefore, budget totals reflected an average of training costs forecasted for FYs 1993 and 1994.

Administrative Fee

One of the allowable reimbursable costs included in the Arrangement was an administrative fee, not to exceed 3 percent, for actual costs incurred by the Ministry of Defense of the Netherlands. The fee was for Ministry of Defense costs associated with the oversight and administrative support of NL/POMS. NL/POMS charged a 1-percent administrative fee on the total of each month's actual operating costs. FY 1993 actual costs for the 1-percent administrative fee totaled $402,252. For FY 1994, budgeted costs for the fee totaled $430,186.

The Ministry of Defense of the Netherlands has designated a permanent management unit, referred to as the NL/POMS Management Team, to manage and supervise all operations of NL/POMS. The Management Team is responsible for oversight of the host nation obligations and administration of the contractually agreed upon services under the Arrangement. The budgeted FY 1994 costs for the Management Team totaled $2.6 million. Since the Management Team billed for its actual expenses, an administrative fee for costs incurred by the Ministry of Defense to oversee and provide administrative support for the NL/POMS was duplicative.

Belgium Arrangement

At the time of the audit, to reduce the number of personnel hired by USAREUR in Belgium, USAREUR was drafting and negotiating the following agreements for the POMCUS sites at Grobbendonk and Zutendaal, Belgium:

o "General Arrangement Concerning Storage in Belgium by U.S. Forces between the State Secretary of Defense of the Kingdom of Belgium and the Deputy Commander in Chief, United States European Command," and the

o "Technical Arrangement for the Acquisition of Storage Services in Belgium between the Commander in Chief, USAREUR, and the Minister of Defense of the Kingdom of Belgium."

Those proposed agreements would allow USAREUR to convert the POMCUS work force in Belgium to a contractual work force. The Belgium arrangements are similar to the arrangements already in place for the POMCUS sites in the Netherlands in that all reasonable costs incurred were reimbursable, including employer contributions to labor benefits programs. In negotiating the Belgium arrangement, USAREUR should ensure that charges for labor benefits are not included.

Recommendation, Management Comments, and Audit Response

Redirected Recommendation. In our draft report, Recommendation B.1. was directed to the Commander in Chief, U.S. European Command, because the Arrangement had been previously negotiated by the U.S. European Command. On July 8, 1994, the Commander in Chief, U.S. European Command, delegated the authority to renegotiate the Arrangement to the Commander in Chief, USAREUR.

We recommend that the Commander in Chief, U.S. Army, Europe, and Seventh Army:

1. Renegotiate the General Arrangement with the Netherlands to eliminate charges for the following labor benefits:

a. National Civil Pension Fund,

b. premium compensation for reimbursements to the National Insurance System,

c. reimbursements of health insurance premiums,

d. long-term sick leave pay,

e. self-development training and associated travel, and

f. the 1-percent administrative fee.

U.S. European Command Comments. The U.S. European Command concurred in part, stating that eliminating charges for labor benefits was unlikely, because Netherlands law directs payment of those benefits. The goal in renegotiating the Arrangement would be to negotiate an equitable, burden-sharing arrangement that would eliminate all charges except direct labor costs.

Department of the Army Comments. The Army concurred with the recommendation, stating that the negotiations were ongoing and should be completed in the second or third quarter of FY 1995. The goal is to eliminate all charges except direct labor costs.

Audit Response. The Army's response meets the intent of the recommendation.

2. Renegotiate future budgets for the Kingdom of the Netherlands organizations that manage pre-positioned materiel configured to unit sets to exclude the labor benefits designated in Recommendation B.1.

Department of the Army Comments. The Army concurred with the recommendation, stating future budgets for the Netherlands POMCUS sites would be based on the renegotiated General Arrangement.

Audit Response. Actions taken meet the intent of the recommendation. We ask that Army comment on the potential monetary benefits in response to this report.

3. Negotiate the Belgium arrangements to exclude charges for labor benefits.

Department of the Army Comments. The Army concurred with the recommendation, stating negotiations to convert the Belgian work force to a contractual work force had not begun. If USAREUR determines that a contractual arrangement is more beneficial to the United States and negotiations are initiated, the negotiations would be based on the United States being responsible for only direct labor costs.

Finding C. 21st TAACOM Personnel Requirements

The requirement for civilian and military personnel at the 21st TAACOM was overstated. Seven civilian and six military billets authorized were not essential for accomplishing the mission of Headquarters, 21st TAACOM. By deleting those billets, $709,970 annually or $4.3 million for the execution of the FY 1995 through FY 2000 Future Years Defense Program could be put to better use.

21st TAACOM Mission

Within USAREUR, the 21st TAACOM provides logistical support operations for echelons above the corps[9] level. One of the 21st TAACOM's primary responsibilities was to manage all the Department of the Army WRM programs in the European theater. Various subordinate commands of the 21st TAACOM were assigned the mission of receiving, storing, maintaining, issuing, and assuring the quality of the equipment for POMCUS, Army Readiness Package South, theater war reserves, and operational project stocks.

Changes Affecting the 21st TAACOM's Mission. The change in the European threat scenario since the fall of the Berlin Wall and the collapse of the Warsaw Pact has caused Headquarters, Department of the Army, to realign its WRM programs. As of April 1994, POMCUS continued to be managed by the CEGE, but the management of the Army Readiness Package South program and operational project stocks was transferred from the 21st TAACOM to the Army Materiel Command. In addition, in February 1992, Headquarters, Department of the Army, eliminated the requirement for theater war reserves.

The change in the management of the Army WRM program and the drawdown of USAREUR units in the theater have significantly modified the work load of the 21st TAACOM. In February 1994, because of those events, the Commanding General, 21st TAACOM, proposed to the Commander in Chief, USAREUR, that TAACOM's mission be changed. As of April 1994, mission changes had not fully been defined or approved.

[9] Echelons above the corps level are organizations that provide the means for interaction, communications, and other additional functions between continental United States and the deployed corps for combat service support and between the theater commander and the corps for operational matters.

Staffing Initiatives for Reducing Headquarters, TAACOM

Because the WRM missions of the Headquarters, 21st TAACOM, were reassigned, eliminated, or reduced, we evaluated the force structure of Headquarters, 21st TAACOM, to determine whether the force structure reflected the reduction in missions. However, during our audit fieldwork, three initiatives occurred that affected the scope of our evaluation.

Staff Judge Advocate Review. Headquarters, 21st TAACOM, maintains the USAREUR lawyer billets in its Modified Table of Organization and Equipment and in its Table of Distribution and Allowances. However, the lawyers operationally report to the USAREUR Staff Judge Advocate Office. The Deputy Chief of Staff for Operations, USAREUR, was performing a staffing analysis of the 21st TAACOM Staff Judge Advocate Office (60 military billets and 52 civilian billets) as part of an overall review of lawyer billets within the USAREUR command. That analysis is to be completed when the mission changes for the 21st TAACOM are approved.

Military Authorizations. In December 1993, Headquarters, 21st TAACOM, performed a review of its military billets and recommended reducing its FY 1995 military force structure by about 30 percent, from 386 billets to 270 billets. Table 3. identifies the organizational elements and the 116 military billets recommended for deletion. Appendix A describes the mission of each organizational element.

Table 3. Headquarters, 21st TAACOM, Military Personnel Billets

Organizational Element	Billet Authorizations FY 1994	FY 1995	Deletions
Command Group	27	18	9
Staff Judge Advocate	60	60	0
Headquarters Command	37	24	13
Logistics Cell	10	6	4
Inspector General	10	7	3
Provost Marshal Office	4	2	2
Public Affairs Office	4	4	0
Chaplain	4	4	0
Civil Military Operations	16	10	6
Information Management	14	9	5
Logistics	78	49	29
Personnel	77	49	28
Resource Management	4	3	1
Security, Plans, and Operations	41	25	16
Total	386	270	116

Civilian Authorizations. On December 10, 1993, USAREUR tasked the Headquarters, 21st TAACOM, to perform a review of its civilian work force. The review was to determine the staffing needed to complete essential work in specific organizations and functions. Specifically, the review included recommending staffing adjustments on known mission changes, such as the accelerated drawdown of U.S. forces in Europe and the reconfiguration of POMCUS. In addition, Headquarters, 21st TAACOM, was to perform a complete review of the civilian force structure needed to perform the logistics management, supply, maintenance, and transportation functions. The review is to be completed by September 31, 1994.

Overall Personnel Reductions. From FY 1991 through FY 1994, the Headquarters, 21st TAACOM, reduced its overall work force structure by about 36.5 percent, from 981 authorized billets to 623 billets. Military billets were reduced about 13.1 percent, from 444 billets to 386 billets. Reductions in civilian billets were even greater; about 55.9 percent (from 537 billets to 237 billets) was eliminated.

Military authorizations for each organizational element are identified on the Headquarters, 21st TAACOM, FY 1994 Modified Table of Organization and Equipment and the FY 1994 Table of Distribution and Allowances. Civilian authorizations are also identified on the FY 1994 Table of Distribution and Allowances.

Billets Identified for Deletion

During the time of the audit, 21st TAACOM did not have a fully defined and approved mission, and the initiatives previously discussed were ongoing to reduce the Headquarters, 21st TAACOM, military and civilian work force. Thus, our review was limited to those billets that would not be affected by a change in the mission. We identified seven civilian billets and six military billets that should be eliminated, because the billets did not achieve economy and efficiency in support of the organization's mission, regardless of what the mission may become. The billets are identified and described in the paragraphs below. Eliminating the 13 billets will result in cost avoidances of $709,970 per year or a cost avoidance of $4.3 million for the execution of the FY 1995 through FY 2000 Future Years Defense Program (see Appendix B).

Logistics Cell. The previous 21st TAACOM Commanding General established the Logistics Cell to plan selected long-range projects and to provide 21st TAACOM an interdisciplinary problem-solving capability. The FY 1994 Table of Distribution and Allowances identified 10 military billets and 5 civilian billets in the Logistics Cell. As of April 1994, the current 21st TAACOM Commanding General identified four military billets for elimination.

The Logistics Cell performed various analyses and special projects and acted as the information clearinghouse to review all charts for briefings outside the 21st TAACOM. However, Headquarters, 21st TAACOM, personnel told us

that the Office of the Assistant Chief of Staff, Resource Management, was the only office within the 21st TAACOM that had the authority to release documentation outside the 21st TAACOM. Other functions of the Logistics Cell were also duplicative and could be performed by other offices, such as the Resource Management Office and the Logistics Office, within Headquarters, 21st TAACOM. Eliminating the six military and five civilian billets should not affect the overall ability of Headquarters, 21st TAACOM, to provide planning and analytical support to the Commanding General. Table 4. shows those billets, identified in paragraph 151 of the FY 1994 Table of Distribution and Allowances, in the Logistics Cell that can be eliminated.

Table 4. Logistics Cell Billets Identified for Elimination

Billet Title	Billet Grade
Chief	Officer-6
Operations Research Officer	Officer-5
Plans Officer	Officer-4
Plans Officer	Officer-4
Executive Administrative Assistant	Enlisted-4
Executive Administrative Assistant	Enlisted-4
Management Analyst	Civilian-12
Logistics Management Specialist	Civilian-12
Plans Officer	Civilian-12
Plans Officer	Civilian-12
Communication Specialist	Civilian-12

Equal Employment Opportunity Office. The Equal Employment Opportunity Office is the equal employment advisor to the Commanding General, 21st TAACOM. The Equal Employment Opportunity Office was authorized three civilian billets; however, two of those billets had been vacant since the beginning of FY 1994. The Equal Employment Opportunity Office was functioning effectively even though it was below its authorized personnel strength. Due to the anticipated civilian work force reductions, we believe the Commander, 21st TAACOM, should eliminate the two billets identified in Table 5.

Table 5. Equal Employment Opportunity Office Vacant Billets

Billet Title	Billet Grade
Equal Employment Opportunity Specialist	Civilian-09
Secretary	Civilian-05

Recommendation, Management Comments, and Audit Response

We recommend that the Commanding General, 21st Theater Army Area Command, eliminate the five civilian and six military billets identified in Table 4. and the two civilian billets identified in Table 5. from the Headquarters, 21st Theater Army Area Command, Table of Distribution and Allowances.

Department of the Army Comments. The Army concurred with the recommendation, stating that the Logistics Cell outlined in Table 4. had been eliminated. The billets were reprogrammed to the appropriate functional areas, eliminating duplication of functions within the 21st TAACOM. The Equal Employment Opportunity Office billets shown in Table 5. will be eliminated effective FY 1995.

Audit Response. Although the Army reprogrammed most of the billets instead of eliminating them, the comments are responsive to the intent of the recommendation. We ask the Army to provide a concurrence or nonconcurrence with the potential monetary benefits.

Part III - Additional Information

Appendix A. 21st TAACOM Organizational Elements

Operations at Headquarters, 21st TAACOM, are divided among the following elements.

o The Command Group provides policy and direction to all Headquarters, 21st TAACOM, elements.

o The Headquarters Commandant provides support to the Command Group.

o The Inspector General administers the inspection, investigation, and assistance programs of the Command.

o The Logistics Cell plans selected long-range projects and provides 21st TAACOM an interdisciplinary problem-solving capability.

o The Provost Marshal Office functions as the chief coordinator for all law enforcement customs and security actions directed by the Command Group.

o The Public Affairs Office is responsible for matters pertaining to public information, command information, and community relations matters related to public understanding and support of 21st TAACOM.

o The Staff Chaplain provides religious, spiritual, moral, and ethical support to the 21st TAACOM and tenant units.

o The Staff Judge Advocate provides legal services to the 21st TAACOM community and executes statutory responsibility over its general courts martial jurisdiction.

o Civil-Military Operations provides policy on relations with host nation military and civilian authorities for operational planning.

o Information Management provides information management systems planning, policy, and guidance to all assigned and attached units.

o Logistics is responsible for plans and policies for supply, maintenance, missile and munitions, transportation, engineering, and logistical services.

o Personnel develops and executes plans and policies for the management of personnel.

o Resource Management is responsible for all matters pertaining to financial and staffing resources.

o The Security, Plans, and Operations is responsible for matters pertaining to the preparation, supervision, and administration of security, plans, operations, and the command simulation program.

Appendix B. Summary of Billets and Resultant Potential Monetary Benefits

Billet Grade	Compensation[1] (FY 1995)	Billets to be Eliminated	Benefit of Elimination (FY 1995)	Benefit of Elimination (6 years)
Officer-6	$119,305	1	$119,305	$ 715,830
Officer-5	99,258	1	99,258	595,548
Officer-4	84,145	2	168,290	1,009,740
Enlisted-4	26,461	2	52,922	317,532
Civilian-12	54,039	5	270,195	1,621,170
Civilian-9	0	1	0	0[2]
Civilian-5	0	1	0	0[2]
Total		13	$709,970	$4,259,820

[1](U) The estimate of potential monetary benefits is based on FY 1992 Military-Civilian Equivalent Pay Rates for the Army, published by the Comptroller of the Department of Defense, to support FY 1994 through FY 1995 Defense Business Operations Fund budget formulation.

[2](U) The potential monetary benefit of this grade is zero because the billet had been vacant during FY 1994 and no funds had been committed to the billet.

Appendix C. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1.	Program Results. Consolidates the Army WRM programs.	Nonmonetary.
A.2.a. and A.2.b.	Economy and Efficiency. Updates the POMCUS concept of operations to support swing stock requirements.	Nonmonetary.
A.2.c. and A.3.	Economy and Efficiency. Saves indoor storage space and reduces maintenance costs for equipment by increasing the amount of equipment that can be stored indoors.	Undeterminable.*
B.1.	Economy and Efficiency. Eliminates the requirement for the United States to pay labor benefits to the Netherlands.	Nonmonetary.
B.2.	Economy and Efficiency. Allows more equitable cost sharing with the Netherlands.	Funds put to better use of $10.6 million annually or $63.6 million for the execution of the FY 1995 through FY 2000 Future Years Defense Program. Appropriation: 21X2020 - Operation and Maintenance, Army.

* When the recommendations are implemented, USAREUR will be able to determine the value of the monetary benefit.

Appendix C. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
B.3.	Economy and Efficiency. Allows more equitable cost sharing with Belgium.	Undeterminable.*
C.	Economy and Efficiency. Eliminating the positions will allow for the reassignment of military personnel to more essential functions within the Army.	Funds put to better use of $709,970 annually or $4.3 million for the execution of the FY 1995 through FY 2000 Future Years Defense Program. Appropriations: 21X2010 - Military Personnel, Army, and 21X2020 - Operation and Maintenance, Army.

* When the recommendations are implemented, USAREUR will be able to determine the value of the monetary benefit.

Appendix D. Organizations Visited Or Contacted

Office of the Secretary of Defense

U.S. Mission, North Atlantic Treaty Organization, Brussels, Belgium
Joint Staff, Washington, DC
  Office of the Director, Operations, Washington, DC
  Office of the Director, Logistics, Washington, DC
  Office of the Director, Strategic Plans and Policy, Washington, DC

Department of the Army

Office of the Deputy Chief of Staff for Operations and Plans, Headquarters, Department of the Army, Washington, DC
Office of the Deputy Chief of Staff for Logistics, Headquarters, Department of the Army, Washington, DC
Office of the Deputy General Counsel (Fiscal Law and Policy), Headquarters, Department of the Army, Washington, DC
Headquarters, U.S. Army Training and Doctrine Command, Fort Monroe, VA
  Combined Arms Support Command, Fort Lee, VA
Headquarters, U.S. Army Materiel Command, Alexandria, VA
  Headquarters, U.S. Army Depot Systems Command, Chambersburg, PA
  U.S. Army Materiel Command Europe, Seckenheim, Germany
Headquarters, U.S. Army, Europe, and Seventh Army, Heidelberg, Germany
  Headquarters, 3rd Corps Support Command, Wiesbaden, Germany
  Headquarters, 266th Theater Finance Center, Heidelberg, Germany
  Headquarters, 21st Theater Army Area Command, Kaiserslautern, Germany
  Headquarters, 200th Theater Army Materiel Management Center, Kaiserslautern, Germany
  Headquarters, 29th Area Support Group, Kaiserslautern, Germany
    Reserve Storage Activity, Bettembourg, Luxembourg
  Headquarters, Combat Equipment Group Europe, Mannheim, Germany
    Combat Equipment Battalion East, Karlsruhe, Germany
      1st Combat Equipment Company, Mannheim, Germany
    Combat Equipment Battalion West, Landstuhl, Germany
      6th Combat Equipment Company, Miesau, Germany
      8th Combat Equipment Company, Kaiserslautern, Germany
    Combat Equipment Battalion North, Grefrath, Germany
      14th Combat Equipment Company, Moenchengladbach, Germany
      16th Combat Equipment Company, Zutendaal, Belgium
      17th Combat Equipment Company, Grobbendonk, Belgium

Department of the Army (cont'd)

Combat Equipment Battalion Northwest, Coevorden, Netherlands
19th Combat Equipment Company, Vriezenveen, Netherlands
20th Combat Equipment Company, Coevorden, Netherlands
21st Combat Equipment Company, Ter Apel, Netherlands
Headquarters, Southern European Task Force, Vicenza, Italy
8th Area Support Group, Camp Darby, Italy
General Support Center-Leghorn, Livorno, Italy
Headquarters, United States Army, Europe and Seventh Army, Principal Assistant Responsible for Contracting, Seckenheim, Germany
Headquarters, U.S. Army, Europe, and Seventh Army Contracting Center, Frankfurt, Germany

Unified Command

Headquarters, U.S. European Command, Patch Barracks, Stuttgart-Vaihingen, Germany

Defense Agency

Headquarters, Defense Logistics Agency, Alexandria, VA

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense for Policy
Under Secretary of Defense for Personnel and Readiness
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Department of the Army

Secretary of the Army
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Department of the Navy

Auditor General, Department of the Navy

Department of the Air Force

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Defense Organizations

Director, Defense Contract Audit Agency
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Director, National Security Agency
Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
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Unified Command

Commander in Chief, U.S. European Command

Non-DoD Offices

Office of Management and Budget
U.S. General Accounting Office
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Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Subcommittee on Military Readiness and Defense Infrastructure, Committee on Armed Services
Senate Subcommittee on Coalition Defense and Reinforcing Forces, Committee on Armed Services
Senate Subcommittee on Force Requirements and Personnel, Committee on Armed Services
Senate Subcommittee on Regional Defense and Contingency Forces, Committee on Armed Services
Senate Committee on Foreign Relations
Senate Subcommittee on European Affairs, Committee on Foreign Relations
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Subcommittee on Readiness, Committee on Armed Services
House Subcommittee on Military Forces and Personnel, Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations
House Committee on Foreign Affairs
House Subcommittee on Europe and the Middle East, Committee on Foreign Affairs

Part IV - Management Comments

Department of the Army Comments

DEPARTMENT OF THE ARMY
US ARMY AUDIT AGENCY
3101 PARK CENTER DRIVE
ALEXANDRIA VA 22302-1596

9 August 1994

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
ATTN: ASSISTANT INSPECTOR GENERAL FOR AUDITING

SUBJECT: Army Response to IG, DOD Audit Report on U.S. Army, Europe Pre-Positioning Requirements for War Reserve Materiel (Project No. 3RA-0030.03)

1. Reference Deputy Chief of Staff for Operations and Plans memorandum dated 4 August 1994.

2. Attached is the Army response to the IG, DOD draft report on pre-positioning requirements in Europe.

3. Army POC is LTC Michalak DAMO-ODR commercial (703) 697-2022.

4. For further information, contact Ms. Debra Rinderknecht at DSN 224-9439 or commercial (703) 614-9439.

FOR THE DIRECTOR:

Encl

JOHN BOURGAULT
Associate Director
Audit Followup and Compliance
Division

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DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS
400 ARMY PENTAGON
WASHINGTON DC 20310-0400

REPLY TO ATTENTION OF

DAMO-ODR

- 4 AUG 1994

MEMORANDUM THRU ~~DIRECTOR OF THE ARMY STAFF~~ ASSISTANT SECRETARY OF THE ARMY (IL&E)

FOR THE ARMY AUDITOR GENERAL

SUBJECT U S Army Comments to IG DoD Audit, U.S Army, Europe Pre-Positioning Requirements for War Reserve Materiel, Project No 3RA-0030 03, 24 June 1994 -- ACTION MEMORANDUM

1 PURPOSE To forward the Department of the Army (HQDA) response to the IG DoD Draft Audit Report of U S Army, Europe Pre-Positioning Requirements for War Reserve Materiel, Project No 3RA-0030 03, 24 June 1994 to the Army Audit Agency (TAB B)

2 DISCUSSION The Army concurs with nine of the ten recommendations and non- concurs with one recommendation

a **Non-concur** to Finding A, Recommendation 2a "Delete the concept of operation requirement that pre-positioned materiel configured to unit sets be rapidly issued by unit set" (re change to AR 710-1, Centralized Inventory Management of the Army Supply System)

Comment for Non-concurrence: Although recent experience indicates the equipment may not be issued by unit sets within the theater, the equipment may be shipped out of theater as swing stocks, by unit set, and the urgency of the requirement may be that the shipment be rapid.

b The complete Army response to each recommendation is at TAB A

3 RECOMMENDATION That the Auditor General forward the Army comments to the IG DoD Draft Audit Report, U S Army, Europe Pre-Positioning Requirements for War Reserve Materiel, Project No 3RA-0030 03, 24 June 1994, to the IG DoD

4 Army POC is LTC Michalak, DAMO-ODR, com (703) 697-2022

Encls

PAUL E BLACKWELL
Lieutenant General, GS
Deputy Chief of Staff for
Operations and Plans

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DASA(L) #..... 94048740

TAB A- HQDA RESPONSE TO IG DOD AUDIT (PAGE 1)

SUBJECT: HQDA Response to IG DoD Audit, U.S. Army, Europe Pre-Positioning Requirements for War Reserve Materiel, Project No. 3RA-0030.03, 24 June 1994

1. Finding A, Recommendation 1: "We recommend that the Chief of Staff, Department of the Army, realign pre-positioned materiel configured to unit sets as part of the Army Reserve program and under the management of the Army Materiel Command."

Concur. CSA message, dtg 171500 May 94, subj: AMC Management of all Army Reserves (AR) and POMCUS directed USAREUR to transfer management and accountability of Central European POMCUS to AMC NLT end of FY 95.

2. Finding A, Recommendation 2: "We recommend that the Deputy Chief of Staff for Logistics, Department of the Army, revise Army Regulation 710-1, "Centralized Inventory Management of the Army Supply System," to:

a. (Finding A, Recommendation 2a.) "Delete the concept of operation requirement that pre-positioned materiel configured to unit sets be rapidly issued by unit set."

Non-concur. *Although recent experience indicates the equipment may not be issued* by unit sets within the theater, the equipment may be shipped out of theater as a swing stock, by unit set, and the urgency of the requirement may be that the shipment be rapid.

b. (Finding A, Recommendation 2b) "Delete the concept of operation requirement that pre-positioned materiel configured to unit sets be designated for specific units."

Concur. The sets have been de-linked from specific CONUS based units and are generic in design so that any heavy brigade can fall in on any set.

c. (Finding A, Recommendation 2c.) "Require that the pre-positioned materiel configured to units sets equipment be physically stored by end item "

Concur. *The intent of the recommendation is to maximize inside warehouse storage of* vehicles and equipment. The Army concurs and is proceeding to consolidate and maximize inside storage to the fullest extent possible. Round 15 announced the next iteration of base/facility closures; this will put the Central European POMCUS equipment into seven end state sites with 127 controlled humidity warehouses. All equipment will be stored indoors,

TAB A- HQDA RESPONSE TO IG DOD AUDIT (PAGE 2)

except for those pieces which are too large to fit inside. The vehicles and equipment will be stored by brigade sets at the sites, but where necessary to ensure storage inside, they will be stored as in a motor pool- tanks parked next to tanks/tank like vehicles, wheels parked near wheels, etc. The vehicles and equipment will be parked in a ready to issue state, that is, stored with their component items (radios, sights, etc.) installed.

3 (Finding A, Recommendation 3): "We recommend that the Commander in Chief, U.S. Army, Europe, and Seventh Army, recompute pre-positioned materiel configured to unit sets storage requirements based on end item storage to reduce the amount of equipment stored outdoors."

Concur. Computations ongoing, announcement of base/facility closures done. Except as noted for oversized vehicles, all vehicles and equipment will be stored inside.

4. (Finding B, Recommendation 1) "We recommend that the Commander in Chief, U.S. European Command, renegotiate the General Arrangement with the Netherlands to eliminate charges for the following labor benefits:

1. National Civil Pension Fund,
2. premium compensation for reimbursements to the National Insurance System,
3 reimbursements of health insurance premiums,
4. long-term sick leave pay,
5. self-development training and associated travel, and
6. the 1-percent administrative fee."

Concur. Commander-in-Chief, U.S. European Command has delegated authority to renegotiate the General Arrangement with the Netherlands to Commander-in-Chief, U.S. Army Europe. These negotiations are on-going and expected to be completed in second or third quarter FY95. The goal is to eliminate all charges except direct labor costs.

5. (Finding B, Recommendation 2a.) "We recommend that the Commander in Chief, U S. Army, Europe, and Seventh Army, renegotiate future budgets for the Kingdom of the Netherlands organizations that manage pre-positioned materiel configured to unit sets to exclude the labor benefits designated in Recommendation 1" (para 4 above).

Concur. Future budgets for Dutch POMCUS sites will be based on renegotiated General Arrangement.

TAB A- HQDA RESPONSE TO IG DOD AUDIT (PAGE 3)

6. (Finding B, Recommendation 2b.) "We recommend that the Commander in Chief, U.S. Army, Europe, and Seventh Army, negotiate the Belgium arrangements to exclude charges for labor benefits

Concur. Negotiations to convert the Belgian work force to a contractual work force have not begun. If it is determined that a contractual arrangement is more beneficial to the U.S. and negotiations are initiated, the negotiations will be based on the U.S. being responsible for no more than direct labor costs.

7. (Finding C, Recommendation) "We recommend that the Commanding General, 21st Theater Army Area Command, eliminate five civilian and six military billets identified in Table 4 and the two civilian billets identified in Table 5 from the Headquarters, 21st Theater Army Area Command, Table of Distribution and Allowances."

Concur. The Logistical Cell outlined in Table 4 has been eliminated. Spaces have been reprogrammed to the appropriate functional areas which eliminates duplication of functions within the 21st TAACOM. EEO billets outlined in Table 5 will be eliminated effective FY95.

U.S. European Command Comments

HEADQUARTERS
UNITED STATES EUROPEAN COMMAND
Office of the Chief of Staff
APO AE 09128-4209

ECCS

24 AUG 1994

MEMORANDUM FOR Inspector General, Department of Defense, 400 Army Navy Drive, Arlington, Virginia 22202-2884

SUBJECT: Audit Report on U.S. Army, Europe Pre-positioning Requirements for War Reserve Materiel (U) (Project No. 3RA-0030.03)

1. Concerning the above draft audit report, finding B, recommendation 1, "We recommend the Commander in Chief, U.S. European Command, renegotiate the General Arrangement with the Netherlands to eliminate charges for the following labor benefits:

a. National Civil Pension Fund.

b. premium compensation for reimbursements to the National Insurance System,

c. reimbursements of health insurance premiums,

d. long-term sick leave pay,

e. self-development training and associated travel, and

f. the 1% administrative fee."

Concur in part. Eliminating charges for labor benefits, as stated above, is unlikely, as Dutch law directs payment of these benefits. Corrective Action: Commander-in-Chief, U.S. European Command delegated the authority to renegotiate the General Arrangement with the Netherlands to Commander-in-Chief, U.S. Army Europe, on 8 July 1994 by classified message 081030ZJul94, subject: Netherlands Storage (U). The goal is to negotiate an equitable, burden-sharing arrangement that will hopefully eliminate all charges except direct labor costs. Estimated completion date: 16 Jun 1995.

2. This headquarters point of contact is LTC Lommel, DSN: 430-8467.

RICHARD F. KELLER
Lieutenant General, USA
Chief of Staff

Audit Team Members

This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

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