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DEFENSE AUDIT SERVICE

SECOND SUMMARY REPORT ON THE INTERSERVICE REVIEW
OF U.S. FORCE REDUCTIONS IN KOREA (U)

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No. 79-117
JULY 25, 1979

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DEFENSE AUDIT SERVICE
1300 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22209

July 25, 1979

REPORT
NO. 79-117

SECOND SUMMARY REPORT ON THE INTERSERVICE REVIEW
OF U.S. FORCE REDUCTIONS IN KOREA (U)

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Defense Audit Office-Pacific
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SECOND SUMMARY REPORT ON THE INTERSERVICE REVIEW
OF U.S. FORCE REDUCTIONS IN KOREA (U)

SUMMARY

(U) At the request of the Assistant Secretary of Defense (Comptroller), the Commander in Chief, Pacific, and the Deputy Director of the Defense Security Assistance Agency, we are coordinating DoD audit activities and making a phased review of U.S. ground force reductions in the Republic of Korea and the related Republic of Korea Compensation Program. Our primary objective is to evaluate the soundness of procedures and controls for planning and executing the force reductions and the Compensation Program. This report discusses the results of our reviews from June 16, 1978 through October 31, 1978.

(U) As of October 31, 1978, policies and issues were not completely formalized for the U.S. force reduction and Republic of Korea Compensation Program; programing and operating procedures were deficient; withdrawal schedules and transfer programs needed refinement to be consistent with Republic of Korea capabilities; key elements of the 8th U.S. Army and the Joint U.S. Military Assistance Group-Korea were short personnel to effectively accomplish the program; and an effective mechanism to monitor the overall programs had not been established. We believe that these matters can be resolved within the period remaining before significant program actions are executed. However, actions at the Office of the Secretary of Defense and in Korea are essential.

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- (U) Guidance that was issued by the Under Secretary of Defense(Policy) on technical training that may be furnished within the provisions of the Republic of Korea Compensation Program legislation was unclear. Training that was furnished in Korea for the Improved Hawk may exceed authorizations (page 13).

(U) Other potential problems disclosed during this phase of our review and reported to DoD representatives in Korea are summarized in the Appendix. The Commander, U.S. Forces, Korea and the Commanding General, 8th U.S. Army, generally concurred in the recommendations and provided information on corrective actions taken or planned.

(U) Copies of the draft report were furnished to the Assistant Secretary of Defense(International Security Affairs); Director, National Security Agency/Chief, Central Security Service; Commander in Chief, Pacific; and Commander, U.S. Forces, Korea for review and comment. The Director, National Security Agency/Chief, Central Security Service did not agree with the recommendations addressed to him. The Deputy Director for East Asia and Pacific Region, Office of the Assistant Secretary of Defense(International Security Affairs) expressed general agreement with the recommendations. Their comments were considered in preparing the final report.

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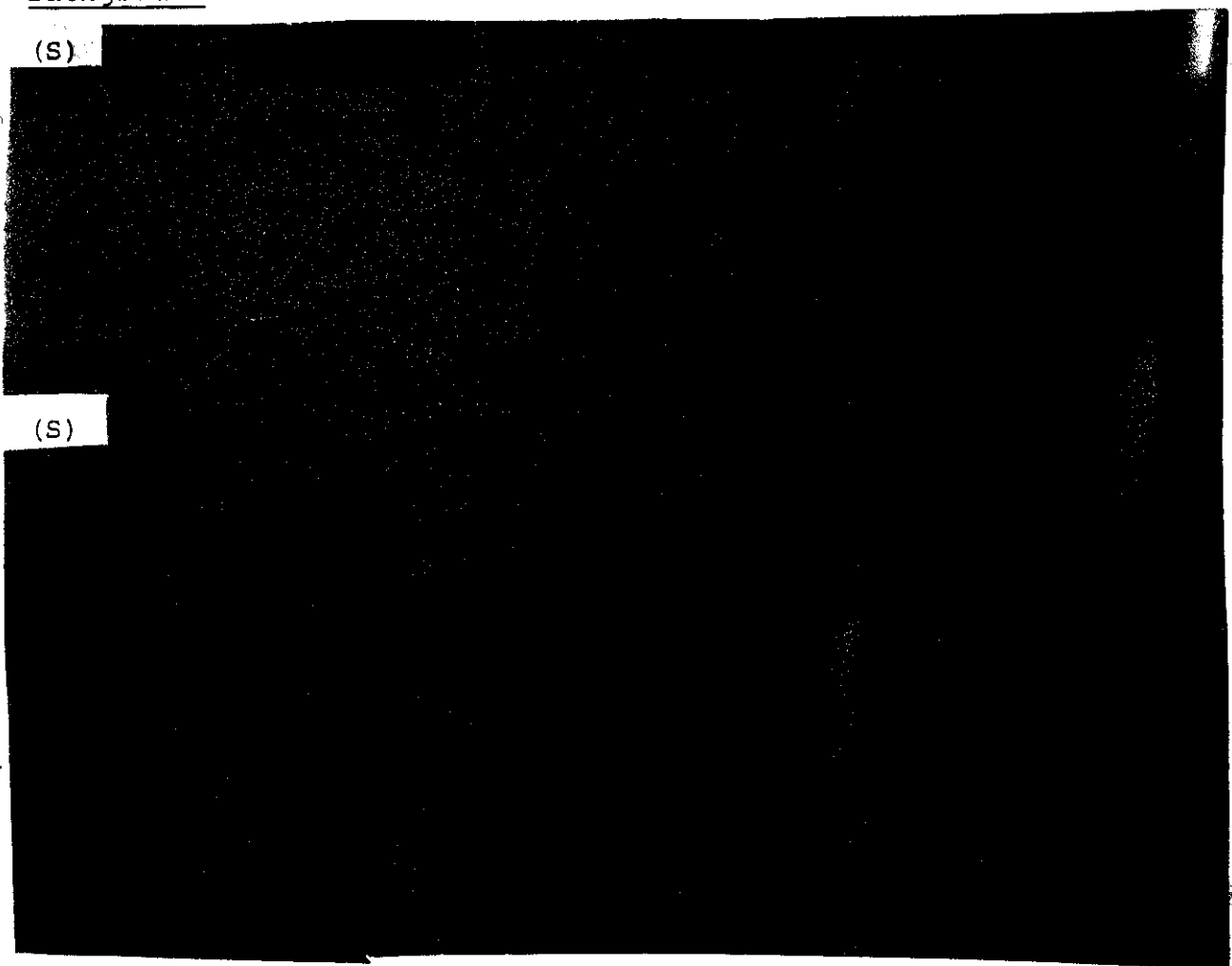
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SECOND SUMMARY REPORT ON THE INTERSERVICE REVIEW
OF U.S. FORCE REDUCTIONS IN KOREA (U)

INTRODUCTION

Background

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Scope of Review

(U) We evaluated the reasonableness of selected plans, programs, procedures, and controls developed for execution of the U.S. ground force reduction and the ROK Compensation Program. Audit coverage included the adequacy of guidance, procedures, and preparations for effectively accomplishing the first phase of the program, which is to be completed by December 31, 1979. We also reviewed the adequacy of planning for the transfer of Defense articles in later phases of the ROK Compensation Program. The reviews were performed primarily at Headquarters, U.S. Forces Korea and 8th U.S. Army; the Joint U.S. Military Assistance Group-Korea; the 19th Support Command; and selected units of the U.S. Army 2d Infantry Division.

RESULTS OF THE REVIEW AND RECOMMENDATIONS

A. U.S. Commitment (U)

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Recommendations

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Discussion

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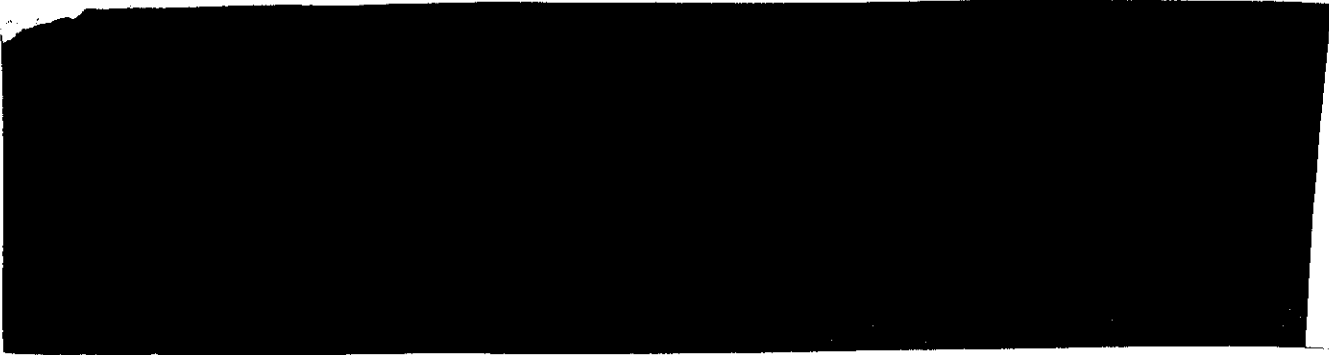
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Management Comments

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Audit Response

(U) Management's actions are considered responsive to the intent of the audit recommendations.

B. Communications Security (U)

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Recommendations

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Discussion

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Management Comments

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Audit Response

(U) NSA's nonconcurrency is not with the recommended action but rather with whom the recommendation is addressed. Actions responsive to our recommendation have been initiated since our draft report was released. We plan to make follow-up reviews in Korea to evaluate the adequacy of corrective actions. The NSA comments on the issuance of policy guidance are considered responsive to the intent of our second recommendation.

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C. Technical Training (U)

(U) Guidance issued by the Under Secretary of Defense (Policy) was unclear as to what training was authorized under ROK Compensation Program legislation. Training that was provided ROK Improved Hawk personnel by 20 DoD personnel may exceed authorizations.

Recommendation

(U) We recommend that the Assistant Secretary of Defense (International Security Affairs) identify training that may be provided as part of the ROK Compensation Program.

Discussion

(U) The International Security Assistance Act of 1978 authorizes the President to furnish to the ROK, without reimbursement, Defense services (including technical and operational training) in Korea directly related to transferred Defense articles. Although not consistent with the terms and provisions of the Foreign Assistance Act of 1961, as amended, the House of Representatives expressed its intentions (Report No. 95-1141) that Defense services ". . . will be those which are . . . routine functions by regular units of the US Armed Forces designed to bring about standardization with a mutual treaty ally."

(U) The SECDEF in a statement to the Senate Foreign Relations Committee on May 1, 1978, addressed the training needs of the ROK, including the need to be sure the equipment can be used effectively when our ground forces leave. The SECDEF specifically mentioned the Improved Hawk missile system and noted that ". . . we anticipated assigning personnel in Korea to assist in instruction at Korean schools." Guidance issued on October 27, 1978, by the Under Secretary of Defense (Policy) stated that the technical and operation-type training would be conducted as on-the-job training.

(U) Transfer plans for the Improved Hawk showed that training to be provided the ROK may conflict with authorizations. Materiel from the 8th U.S. Army has been provided to the Improved Hawk Training Team for use in the ROK Air Defense Artillery School at Taegu. Action was also taken to transfer 20 personnel authorizations from 8th U.S. Army units to the School for a period of 2 years. The 20 individuals, including 14 instructors, were sent to Korea during June and July 1978 specifically for assignment to the School. Accordingly, permanent change of station, payroll, and support costs for the individuals have been borne by DoD appropriations for the exclusive benefit of the ROK. The services performed by these personnel are not routine functions in regular U.S. Army units or on-the-job training.

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(U) The turnover of staff in key USFK elements, which were responsible for developing implementing procedures, systems, and controls, also impeded program progress. These elements have been austere manned by many different individuals, usually military personnel with relatively short periods remaining before their departure from Korea. Available time was often spent addressing "brush-fire" problems and attending meetings and briefings.

(U) We recommended that the USFK establish a mechanism for centrally defining and monitoring the interrelated tasks and milestones for capability transfer and U.S. ground force withdrawal actions, define the tasks to be performed by the key organizational elements, determine the number of appropriately qualified personnel needed to accomplish the tasks by established milestones, and accelerate actions to fill all required program management positions. The Commander, U.S. Forces, Korea generally concurred in our recommendations.

ROK Force Adjustments

(U) The congressional authorization for the ROK Compensation Program required DoD to demonstrate that overall defense capabilities in Korea will not be seriously degraded due to the planned withdrawal of U.S. ground forces. Agreements between the U.S. and the ROK on Defense articles and services to be transferred satisfied one aspect of that requirement. Another aspect was the needed capability to demonstrate that the ROK could effectively employ the transferred articles while maintaining related capabilities.

(U) The authorizing legislation for the ROK Compensation Program required that the transfers be made in accordance with all the terms and conditions of Chapter 2, Part II of the Foreign Assistance Act of 1961. Accordingly, Joint U.S. Military Assistance Group-Korea (JUSMAG-K) must accomplish the SECDEF responsibilities of the Military Assistance Program for the programmed articles and services, including surveillance of the ROK use, support, and readiness of the transferred articles, assignment and use of U.S.-trained ROK personnel, and end-item disposition. We believe applicable ROK unit authorization documents would be a valuable management tool for such surveillance.

(U) We recommended that the USFK or JUSMAG-K obtain new or modified ROK authorization documents for appropriate organizations to verify the intended use of transferred articles. USFK management agreed.

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SUMMARIES OF AUDIT FINDINGS RELATED TO U.S. FORCE REDUCTIONS AND REPUBLIC OF KOREA COMPENSATION PROGRAM REPORTED TO THE U.S. FORCES, KOREA AND 8TH U.S. ARMY FOR CORRECTIVE ACTION

(U) During this phase of our review, we issued interim memorandum reports to the Commander, U.S. Forces, Korea and the Commanding General, Eighth U.S. Army on problems in these areas:

- Program Management
- ROK Force Adjustments
- Maintenance Support
- Programing
- Title Transfer
- Committed Asset Controls
- Repair Parts
- Ammunition Controls
- Residual Inventory Adjustments
- Installation Property
- Major Assembly Controls

The conditions and our recommendations have been summarized for this report. Defense management personnel in Korea provided responsive replies to the interim reports and indicated the corrective actions taken or planned.

Program Management

(U) Headquarters, U.S. Forces, Korea (USFK) Letter of Instruction Number 10-4, October 26, 1978, Subject: Equipment Transfer, Retrograde, Unit Withdrawal, and Inactivation, provided guidance and defined responsibilities for execution of the withdrawal and compensation programs. The basic concept provided for centralized planning by the USFK staff and decentralized execution by the withdrawing units and supporting units and activities. However, USFK had not established a mechanism for identifying, plotting, and monitoring time-sensitive functions and tasks, although many major functions and related tasks must be accomplished by sundry USFK and ROK organizational elements for each principal transfer line.

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Management Comments

(U) The Deputy Director for the East Asia and Pacific Region, Office of the Assistant Secretary of Defense (International Security Affairs) stated:

. . . The Army indicates that the 20-man HAWK Detachment assisting in HAWK training at the ROK Air Defense School are being provided out of Eighth U.S. Army (EUSA) spaces. The fact that the Army provided Commander, EUSA with Twenty HAWK trained personnel who are also qualified instructors indicates positive support by the Army to assist the ROK in assuming operational responsibility for the three U.S. Improved HAWK battalions. Commander, EUSA's organizing these 20 personnel into a detachment for operational efficiency is considered a logical and effective way of accomplishing the training mission. As necessary, OSD will provide additional guidance on training associated with the cost free transfer program.

Audit Response

(U) The Assistant Secretary of Defense (International Security Affairs) comments are considered responsive to the intent of our recommendation.

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Programing

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Title Transfer

(U) Prior reviews on the transfer of U.S. Army 7th Infantry Division articles to the ROK in 1971 and 1972 identified significant problems dealing with prenumbered transportation control movement documents (TCMD) used to transfer and record the articles. Our review indicated that documentation controls could be inadequate in the current transfer program. The transfer plan did not identify who would get the 2 originals or other numbered copies of the DD Form 1348-1, "Item Release/Receipt Document," for each item transferred to the ROK. Also, copies of the Memorandum of Understanding stipulating transfer provisions and signed by representatives of the U.S. and ROK Governments were to accompany the DD Form 1348-1.

(U) We believe that the 2 sets of the DD Form 1348-1 that would have to be signed by the ROK, 8th U.S. Army, and JUSMAAG-K representatives, and the logistics of separating, sorting, and distributing the sets would impede progress. Further, there did not appear to be a direct link between the transfer documents and the Memorandum of Understanding provisions that stipulate the congressional requirements. Accountability of the documents may also become a problem.

(U) We recommended that the USFK require only one set of the DD Form 1348-1 for each article transferred, authorize the use of machine listings for documenting items transferred, and develop a serial numbered title-transfer document and control system to facilitate transfer actions. The Commander, U.S. Forces, Korea concurred in the recommendations and stated that action would be taken to revise title-transfer procedures.

Committed-Asset Controls

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(U) We recommended the 8th U.S. Army assure that the 6th Support Center issue detailed instructions regarding the special procedures for equipment to be transferred to the ROK and receive, in a timely manner, revised listings of equipment proposed for transfer to the ROK. We also recommended that the 8th U.S. Army monitor the 6th Support Center's compliance with program guidance and ensure equipment identified for transfer to the ROK is not shipped out of the country or to property disposal without proper approval. The Commanding General, 8th U.S. Army concurred in the recommendations and stated that corrective action would be taken.

Repair Parts

(U) The 19th Support Command was responsible for developing prescribed load lists (PLLs) and authorized stockage lists (ASLs) of repair parts for each major end item of equipment to be transferred. In March 1978 the U.S. Army Maintenance Management Center at Lexington, Kentucky, was requested by the 19th Support Command to provide support list allowance cards (commonly called SLAC decks) for both ASLs and PLLs for 13 major items of equipment. The ASLs and PLLs were to be based on a stockage level for 15 days and 30 days, respectively. These end items and related repair parts were those originally proposed to be transferred to the ROK during the first increment. Listings of recommended PLLs for 10 of the 13 end items and a consolidated PLL and a consolidated ASL for the 13 end items were provided by the Maintenance Management Center in lieu of SLAC decks in punch-card format.

(U) The PLLs and ASLs recommended by the Maintenance Management Center were based on engineering studies and contained items not normally stocked in Korea. Our review of 105 of the 809 line items on the ASL SLAC deck listing showed that 45 of the 105 (43 percent) were not demand-supported at supply support activities in Korea. Of the 809 line items on the ASL SLAC deck, 629 items (78 percent) had an extended value of less than \$25.

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(U) The ASL information provided by the Maintenance Management Center was not by end item, which resulted in difficulties because some end items originally included in the first increment were deferred to later increments. Also, the density of end items to be transferred during the first increment, and used by the Maintenance Management Center to compute the repair part quantity had changed.

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(U) We recommended that the 8th U.S. Army assure that the 19th Support Command develop plans for determining repair parts requirements, request SLAC decks and listings for all items to be transferred to the ROK, and compute the days of supply for repair parts to be transferred by using stockage objectives and actual order-ship times. The Commanding General, 8th U.S. Army agreed with the recommendations and stated that corrective actions would be taken by the 19th Support Command.

Ammunition Controls

(U) In November 1974 the U.S. and ROK Governments agreed to operate under the Single Ammunition Logistics System in Korea (SALS-K) Agreement whereby U.S.-owned ammunition is stored at facilities operated by the ROK Army. The ROK Army is responsible for receiving, shipping, maintaining, and securing the ammunition. The U.S. continues to retain title over the ammunition, direct movement of the ammunition, and maintain accountability and surveillance over the stocks. The 83d Ordnance Battalion was responsible for controlling and accounting for approximately 288,000 short tons of U.S.-owned ammunition, valued at about \$800 million, stored at 27 ammunition supply points located throughout Korea.

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(U) At 2 of 3 stock control activities reviewed, we found accounting and inventory procedures were not adequate. Regulatory requirements for researching, investigating, and reporting apparent shortages were not followed, and postings on stock record cards were arbitrarily changed. In some instances multiple stock record cards for the same ammunition line item were found, periodic physical inventories did not disclose existing discrepancies, and receipts were not promptly recorded on stock record cards. As a result, there was no assurance that stock record cards accurately showed the amount of ammunition on hand or that inventory shortages would be discovered, researched, and reported. The weaknesses were attributed to personnel not adhering to standing operating procedures or regulatory requirements and inadequate personnel supervision.

(U) We recommended that the 8th U.S. Army investigate the quantity discrepancies identified during our audit, prepare inventory adjustment reports to support adjustments to stock record cards, and assure that supervisory personnel closely review operations to assure that standard operating procedures for accounting for and inventorying ammunition are followed. The Commanding General, 8th U.S. Army concurred in the recommendations but stated that most of the deficiencies identified by the audit were attributable to ROK Army shortcomings. He stated positive actions had been initiated to remedy all the deficiencies identified.

Residual Inventory Adjustments

(U) Supply support activities maintain ASLs that show the types and quantities of repair parts authorized for stockage. Decisions on types and quantities of repair parts were based primarily on demands (requisitions) of supported units. Accountable officers were required to adjust demand-supported stockage levels when specific information was available on forecasted changes in missions, troop strengths, equipment densities, and other support requirements.

(U) We found procedures were not developed and controls were not effective for adjusting the 8th U.S. Army inventory levels to compensate for force reductions. Nondivisional supply support activities (61st and 595th Maintenance Companies) did not adjust their stockage levels of repair parts as units supported by them were inactivated or redeployed. As a result, stockage levels for items on the supply support activities' ASL were overstated. Our review also showed complete demand history files for units still supported were not on file.

(U) At the 2d Infantry Division, we found procedures had not been developed for adjusting stockage levels of repair parts as units supported were inactivated or redeployed. The system used by the 702d Maintenance Battalion did not accumulate demand history by individual units. Therefore, as units in the Division

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inactivate or redeploy, information is not available to accurately adjust repair parts stockage levels. The 2d Infantry Division will redeploy from Korea over a 5-year period.

(U) We recommended that the 8th U.S. Army assure that the supply support activities of the 19th Support Command properly accumulate demand history data and utilize the program 446 for the National Cash Register 500 system, and the 2d Infantry Division develop procedures for accumulating demand history data and adjust stockage levels as units inactivate or redeploy. We also recommended that the 8th U.S. Army direct the Withdrawal Field Team to periodically check records of supply support activities to determine if demand history data is retained and stockage levels are promptly adjusted as units inactivate or redeploy. The Commanding General, 8th U.S. Army concurred in the recommendations.

Installation Property

(U) A large amount of property, such as office furniture, typewriters, cabinets, and security containers, will become excess to the needs of the Army in Korea. A draft instruction prepared by the 19th Support Command required that a system be developed for the timely redistribution of property against known in-country requirements prior to reporting the assets to Defense Property Disposal Offices. Army Regulation 755-1 provided that property would be turned in to disposal after it was determined to be service or agency excess.

(U) Our review of the draft instruction showed that some matters needed resolution to make sure that excess installation property was disposed of advantageously. We found that the draft instruction did not ensure that property was screened by DoD activities in Korea prior to disposal. Under the draft instruction, much of the post, camp, and station property of withdrawing units will not be sent directly to disposal but will be held "in place." As a result of holding the assets in place, Air Force surveillance teams that visit disposal yards weekly and other DoD activities will not have visibility over this materiel. The 19th Support Command had been tasked to screen Army requirements for this property but had not been given responsibility to screen other DoD requirements.

(U) Four of the 6 scrap pickup points in Korea support a specific supply activity or one of its units. Other units send their scrap to Bupyong or Pusan. We found that plans did not include provisions for direct deliveries of scrap metal by units to the nearest pickup point. For example, units in the Uijongbu area were closer to the scrap point at Camp Casey than the scrap point at Bupyong. We believe the plans place an unnecessary burden on withdrawing units, considering the large volume of scrap metal that will likely be generated.

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(U) Our inventory of 116 line items of post, camp, and station property at 6 companies under the 83d Ordnance Battalion and the 1st Battalion, 32d Infantry showed that the quantities of assets on hand for 36 line items did not agree with quantities recorded on the units' property books. For 27 of the 36 line items, more assets were on hand than were recorded while less assets were on hand for the remaining 9 line items. We also found that the assets were not always marked. For example, over half the assets inventoried at one company were not marked to show the national stock number or the line item identification number. As a result, company personnel could not match some assets on hand to those listed on the property book.

(U) We recommended that the 8th U.S. Army assure that: plans contain provisions to screen DoD in-country requirements against excess installation property; disposition instructions to units authorize shipment of scrap materiel to the nearest pickup point; and units properly identify and mark all installation property, perform complete inventories of installation property, reconcile inventory results to property book balances, prepare inventory adjustment reports for discrepancies found, and turn in excess property. The Commanding General, 8th U.S. Army generally agreed with the recommendations and stated that the recommended actions would be taken.

Major Assembly Controls

(U) The withdrawal and other changes in the 8th U.S. Army's force structure will affect the density of major items, such as tanks and trucks, and the amount of major assemblies and repair parts that supply support activities should stock to support the repair of major items. Selected major assemblies, such as engines, transmissions, and differentials, were supplied through a direct exchange (DX) system, which permitted units to take their unserviceable assemblies to a direct support (DS) unit and exchange them for serviceable ones. DS units were authorized to stock major assemblies based on the frequency of customer demands and the average time needed to replace the unserviceable items. Since general support (GS) level maintenance was usually required to repair unserviceable assemblies, DS units shipped DX unserviceables to the GS activity operated by the U.S. Army Materiel Support Center, Korea. Replacement assemblies were issued to the DS units, thereby maintaining accountability within each activity's supply account. Stockage levels at the GS activity were to be based on customer demands and the average time needed to repair or replace unserviceable DX assemblies.

(U) We found stockage levels of major assemblies at 2 DS units were not properly computed, and controls were not adequate to ensure accountability. Many stockage levels for assemblies and repair

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parts at the 702d Maintenance Battalion for M60A1 tanks and other equipment were overstated because incorrect factors had been used to compute the levels. Also, we found unsupported entries on the stock record cards at the 702d Maintenance Battalion for the droppage of 6 M60A1 tank engines valued at about \$200,000. At the 595th Maintenance Company, our review showed formal accountability had not been established over 23 line items with inventory balances valued at about \$178,000. We concluded similar problems may exist at the other 5 DS units in Korea that operate major assembly DX activities.

(U) Our review also found that stockage levels for major DX assemblies at the GS activity that provided support to the 702d Maintenance Battalion were understated by about the same amount as the Battalion's stockage levels for the same items were overstated. We found that the GS activity used an incorrect factor to compute its stockage levels.

(U) We recommended that the 8th U.S. Army publish guidance on the operation of the major assembly DX program and conduct a review of major assembly DX activities at all DS units. The purpose of the review would be to determine if DS units are complying with regulations and maintaining proper accountability of DX items. The Commanding General, 8th U.S. Army concurred in the recommendations and stated that corrective actions would be taken.

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