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Report to the Chairman, Committee on Appropriations, U.S. Senate

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ARMY BUDGET

Potential Reductions to the Research, Development, Test, and Evaluation Budget

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The Honorable John C. Stennis
Chairman, Committee on Appropriations
United States Senate

Dear Mr. Chairman:

In response to your letter dated February 3, 1988, and subsequent agreements with your office, we reviewed selected projects in the Army's fiscal year 1989 research, development, test, and evaluation (RDT&E) budget to assess the basis and justification for the Army's budget estimates. We also reviewed the fiscal year 1988 budget for the selected projects to identify funding not yet used that could potentially be reduced. The results of our review are summarized below and discussed in more detail in appendix I.

Our analysis focused primarily on projects for which the largest dollar amounts had been requested. Our review included 22 projects with a combined fiscal year 1989 budget of $1,050 million (21 percent of the total fiscal year 1989 RDT&E budget). We identified potential reductions of $33.7 million in the fiscal years 1988 and 1989 budgets for three projects: the Army Tactical Missile System, the Advanced Antitank Weapon System-Medium, and the Fighting Vehicle Improvements projects. The potential reductions total $13.9 million in the fiscal year 1988 budget and $19.8 million in the fiscal year 1989 budget request. We calculated these potential reductions primarily by updating previous budget estimates with more current information.

As requested, we did not obtain official agency comments. However, we discussed the results of our audit with Office of the Secretary of Defense and Army officials and have incorporated their comments where appropriate. Appendix II provides details on the objectives, scope, and methodology of our review.

Sincerely yours,

Frank C. Conahan

Frank C. Conahan
Assistant Comptroller General

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Abbreviations

AAWS-M	Advanced Antitank Weapon System-Medium
ATACMS	Army Tactical Missile System
RDT&E	research, development, test, and evaluation

Potential Reductions to the Army's Research, Development, Test, and Evaluation Budget

In its fiscal year 1989 amended budget, the Army requested $5,031 million for research, development, test, and evaluation (RDT&E). We reviewed 22 projects and identified potential reductions of $33.7 million in the fiscal years 1988 and 1989 budgets for 3 of them, as shown in table I.1.

Table I.1: Potential Reductions for Selected Projects in the Army's RDT&E Budget

Dollars in millions

	Fiscal year		
Project	**1988**	**1989**	**Total**
Army Tactical Missile System	$13.9	$17.2	$31.1
Advanced Antitank Weapon System-Medium	0	1.5	1.5
Fighting Vehicle Improvements	0	1.1	1.1
Total	**$13.9**	**$19.8**	**$33.7**

Army Tactical Missile System

The fiscal year 1988 budget for the Army Tactical Missile System (ATACMS) project (program element number 0604324A) is $101.3 million, and the Army has requested $84.4 million for fiscal year 1989 to continue full-scale development. The ATACMS will be a long-range, all-weather, missile mounted on a modified Multiple Launch Rocket System launcher. The system is designed to engage and destroy targets beyond the range of existing cannons, rockets, and the Lance missile system. The ATACMS is intended to be used to attack surface-to-surface missile sites, air defense systems, and other high-value targets.

We believe that the fiscal year 1989 request could potentially be reduced by $17.2 million because the funds are being requested for contingencies. About $6.6 million is being requested as a contingency in the event that the cost of the fixed-price incentive fee contracts exceeds the target, and $10.6 million is being requested as a contingency for unexpected technical and schedule changes. The project manager did not agree with the potential reduction. He believes that the contractor will exceed the target price and that additional funds will be needed for other purposes. However, the project is low risk, and the project manager did not have documentation to support his position.

We also believe that the Army's fiscal year 1988 budget for the ATACMS could potentially be reduced by $13.9 million for similar reasons. About $8.1 million is being retained as a contingency for contract cost overruns, and $5.8 million is being retained for potential schedule and technical problems. The project manager agreed that the amounts being

retained as contingencies are potential reductions to the fiscal year 1988 budget. However, he believes that the funds should be retained for expected, but unidentified, cost increases and unfunded requirements in the fiscal year 1989 program. We believe the budget could be reduced because the potential changes have not been identified and the program is considered low risk.

Advanced Antitank Weapon System-Medium

The Advanced Antitank Weapon System-Medium (AAWS-M) project is part of the Advanced Antitank Weapon System program (program element numbers 0603612A and 0604611A). The AAWS-M is a joint Army and Marine Corps program to develop a medium-range, man-portable, antitank weapon system to replace the currently fielded Dragon.

The combined Army and Marine Corps budget request for the AAWS-M in fiscal year 1989 is $113.0 million: the Army's is $111.5 million, and the Marine Corps' is $1.5 million.

We believe that the $113.0 million combined fiscal year 1989 budget request for AAWS-M could potentially be reduced by $1.5 million. The project plan does not include the $1.5 million Marine Corps funding and does not identify a specific use for the funds. An AAWS-M project management official told us that the current program does not include the Marine Corps funds and that the fiscal year 1989 budget contains adequate funding without the $1.5 million.

Fighting Vehicle Improvements

The Fighting Vehicle Improvements project is part of the Combat Vehicle Improvement Programs (program element number 0203735A). The Army requested $21.7 million in its fiscal year 1989 RDT&E budget to develop several product improvements to the Bradley Fighting Vehicle to enhance the vehicle's combat effectiveness. One of the planned improvements, for which the Army budgeted about $5.7 million, is for an optical improvement project to reduce the optical signature and harden the system against directed energy.

The fiscal year 1989 budget estimate of about $5.7 million for the optical improvement project was based on a December 1986 estimate provided by the Army Missile Command where the development work is being performed. However, a March 1988 Missile Command estimate reduced the requirement for fiscal year 1989 to $4.6 million, or about $1.1 million less than the earlier estimate. Therefore, we believe that the fiscal year 1989 request could potentially be reduced by $1.1 million.

Bradley project officials agreed that the projected cost for development work in fiscal year 1989 on optical improvements was $1.1 million too high. They said, however, that the funds will be needed for increases in another product improvement called the compartmentalization development project. This project involves replacing individual on-board ammunition containers with relocated compartments to reduce the vulnerable areas of the vehicle.

Objectives, Scope, and Methodology

Our objectives were to evaluate the Army's amended fiscal year 1989 budget request for RDT&E appropriations and to identify potential adjustments where warranted. We also examined the RDT&E budget for fiscal year 1988 to identify funding not yet used that could potentially be reduced. We determined how the Army had estimated its funding requirements and identified current information that might change the estimates.

Our analysis focused primarily on projects involving the largest dollar amounts. In total, we examined 22 projects, which accounted for 16 percent of the Army's RDT&E budget request for fiscal year 1988 and 21 percent of its request for fiscal year 1989.

Our review was conducted at Headquarters, Department of the Army, Washington, D.C.; the U.S. Army Materiel Command, Alexandria, Virginia; the U.S. Army Tank-Automotive Command, Warren, Michigan; the U.S. Army Missile Command, Huntsville, Alabama; and the U.S. Army Aviation Systems Command, St. Louis, Missouri. We interviewed Army and program officials and reviewed and analyzed various budget documents, contract information, and cost estimates. We reviewed program management documentation supporting project schedules, milestones, and requirements. As requested, we did not obtain official agency comments on this report. However, we discussed the contents of this report with Office of the Secretary of Defense and Army officials and have incorporated their comments where appropriate.

We performed our review from March to June 1988 in accordance with generally accepted government auditing standards.

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