

**GAO**

Report to the Chairman, Subcommittee on  
Europe and the Middle East, Committee  
on Foreign Affairs, House of  
Representatives

November 1988

# MILITARY ASSISTANCE

## Improving the Way Congress Is Notified of Program Changes





United States  
General Accounting Office  
Washington, D.C. 20548

National Security and  
International Affairs Division

B-277530

November 22, 1988

The Honorable Lee H. Hamilton  
Chairman, Subcommittee on Europe  
and the Middle East  
Committee on Foreign Affairs  
House of Representatives

Dear Mr. Chairman:

Your letter of April 15, 1987, requested that we examine and compare the Agency for International Development (AID) and Department of Defense (DOD) congressional notification procedures for reprogramming foreign assistance funds. You stated that, in recent years, the large volume of economic notifications and the limited information contained in military notifications have made effective oversight difficult.

Specifically, you asked that we examine AID and DOD foreign assistance reprogramming notifications of the past 2 years, assess AID and DOD procedures, and consider alternatives to the current process that would allow Congress to be informed of significant reprogrammings without undue administrative burden on both the Congress and executive branch.

The AID and DOD systems are distinctly different, and as agreed with your office, each will be covered in a separate report. This report discusses the DOD military assistance reprogramming process.

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## Background

Section 634A of the Foreign Assistance Act of 1961 requires the executive branch to notify the Congress of intended reprogrammings of military aid 15 days prior to obligating funds for the Foreign Military Sales (FMS) credit program, the Military Assistance Program (MAP), and the International Military Education and Training (IMET) program. The Congressional Presentation Document is the administration's budget request, or program justification, and serves as the reprogramming notification baseline.

Until fiscal year 1988, the requirement to notify the Congress of a military aid reprogramming applied only to dollar increases that exceeded the budget request for a particular country. The Fiscal Year 1988

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allocation report to the budget request as the baseline for notifying the Congress of funding changes. The budget request is submitted about 8 months before the beginning of a fiscal year. The allocation report (1) is more closely tied to the beginning of a fiscal year, (2) represents actual funds appropriated, (3) reflects congressional adjustments to the budget request and changes in agency priorities, and (4) serves as the baseline for the updated program content report.

Country funding levels in the administration's budget are usually higher than allocated levels because Congress traditionally appropriates less funds than requested. Therefore, changing the baseline to the allocation report would lower the reporting threshold and likely increase the number of notifications submitted each year to the Congress. This change, however, would provide the Congress with more accurate information on how DOD intends to use military assistance funds. Using the allocation report as the baseline for all reprogrammings of program content and funding may promote more consistency and simplicity in reporting and oversight.

While a change in the baseline would increase the number of notifications, introducing a threshold for the IMET program would reduce the number of notifications required. Many IMET reprogrammings are typically for comparatively small amounts. In fiscal year 1987, 43 of the 77 reprogrammings were for increases in the IMET program. The reason for the large number of IMET reprogrammings is that DOD complies with the annual appropriation act provision, which requires that all IMET program changes be reported regardless of the amount. However, section 634A of the Foreign Assistance Act requires congressional notification of IMET country program increases only if they are \$25,000 or more. Eleven of the 43 IMET increases were under \$25,000.

Several congressional staff members surveyed also indicated they would like to know more about which programs were reduced to fund others. Currently, with minor exception, there is no requirement to report reductions. State Department officials voiced concern that reporting country program cuts would be politically sensitive. If the executive branch had been required to report reductions and if IMET reductions of less than \$25,000 had been excluded, DOD—using the allocation report as the baseline—would have reported 24 more reprogrammings in 1987.

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## Conclusions

Changing the current funding baseline for military aid from the Congressional Presentation Document to the allocation report would appear

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treat the section 653(a) allocated country level as superseding the Congressional Presentation Document level for dollar-level reprogramming notification.

DOD disagreed with our proposal to report all reductions to country allocations for the same reason voiced by State Department officials, who believed that reporting program cuts would be politically sensitive. Congressional staff members generally expressed a desire to know the sources of reprogrammed funds. We believe that notification of program reductions is important to program accountability; furthermore, if the information is sensitive it can be classified accordingly.

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## Objectives, Scope, and Methodology

This review was conducted to assess DOD's reprogramming of military assistance funds and the congressional notification process to determine whether changes in the process would provide Congress better information on significant reprogrammings without undue administrative burden. As part of our review, we asked 67 congressional staff members to comment, either by interview or through the use of a questionnaire, on their use of DOD and AID notifications; identify problems; and evaluate various alternatives to the current system. Twenty-three committee and subcommittee staff members responded to our questionnaire, which we administered in October and November 1987. Thirteen of the 23 respondents commented on the DOD notification system. Although the responses were limited, we used the information to make some general observations about the notification process. The results of the questionnaire were sent to you on April 25, 1988.

We compared all notifications in fiscal years 1986 and 1987 to the budgeted, allocated, and actual levels, by country and program, as reported in the administration's Congressional Presentation Documents and allocation reports to determine whether all reprogrammings had been reported and to measure the impact of changing certain reporting criteria. This review was performed at DOD's Defense Security Assistance Agency in Washington, D.C., in accordance with generally accepted government auditing standards. (App. II discusses the objectives, scope, and methodology in more detail.)

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations, Senate Committee on Foreign Relations, and House Committee on Foreign Affairs; the Secretary of Defense; and



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**Contents**

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**Abbreviations**

AID	Agency for International Development
CPD	Congressional Presentation Document
DOD	Department of Defense
DSAA	Defense Security Assistance Agency
FMS	Foreign Military Sales
IMET	International Military Education and Training
MAP	Military Assistance Program

Section 634A also contains the provision that when a proposed reprogramming exceeds \$1 million and the total allocation to a country in a fiscal year exceeds the amount specified for that country in the report required by section 653(a) of the Foreign Assistance Act by more than \$5 million, the reprogramming notice must specify (1) the nature and purpose of the proposed obligation and (2) if known, the country for which the funds would otherwise have gone. Section 523 has no such reporting requirement.

## Reporting Funding Changes

The Congressional Presentation Document (CPD)—the administration's budget request—serves as the funding level justification and baseline for reprogramming notifications. The baseline or country program level can also be defined by the Congress. The Department of Defense (DOD) submits a notification when the Department of State increases a country's allocation beyond the request in the CPD, the amount set forth in congressional reports, or the amount in a prior notification. According to the Office of Management and Budget, the Department of State is the controlling authority on reprogramming decisions. DOD participates in the decision-making and prepares the congressional notification letter. The letter sent to the authorizing and appropriating committees cites the legislative requirement to report the reprogramming, the country, the program, and the new funding level. Often there is a brief explanation for the funding change. The following letter is an example of a 1987 funding change notification:

"Dear Mr. Chairman:

Pursuant to Section 523 of the Foreign Assistance and Related Programs Appropriations Act, 1987, as enacted in P.L. 99-500 and Section 634A of the Foreign Assistance Act of 1961, this letter provides notification that implementation of the FY 1987 Military Assistance Program for African Civic Action, approved by the Department of State, will require revision of the country levels as follows:

Country	Previously notified level	FY 1987 new level
Djibouti	0	28,500
Equatorial Guinea	100,000	241,540
Niger	500,000	1,200,000
Sierra Leone	225,000	308,150

**Appendix I**  
**Reprogramming of Military Assistance**

four notices were submitted in compliance with other legislative notification requirements.<sup>2</sup> The 77 reprogrammings affected funding for 63 country program budget levels. DOD may budget funds for a country from several program appropriation categories, including FMS loans (at concessional or treasury rates), MAP, and IMET.

**Table I.1: Reprogramming Notifications**  
 (Submitted in Accordance With Sections 634A and 523)

Fiscal year	Total	FMS	MAP	IMET
1987	77	3	31	43
1986	43	2	21	20

To compare various alternatives to the current notification process, we analyzed fiscal years 1986-87 reprogramming notices to determine the absolute minimum number of notices that would have been required by section 634A of the Foreign Assistance Act. For each reprogramming, we compared the actual funding levels with the CPD. As shown in table I.2, given only the criteria specified in section 634A, DSAA was required to submit a minimum of 42 notifications in fiscal year 1987.

**Table I.2: Minimum Notification Requirements**  
 (Under Section 634A of the Foreign Assistance Act)

Fiscal year	Total	FMS	MAP	IMET
1987	42	3	26	13
1986	35	2	20	13

The difference between the 77 (actual) and the 42 (minimum) reprogrammings submitted in fiscal year 1987 can be explained as follows. Eleven of the notices were to report IMET reprogrammings of less than \$25,000. Although not required under section 634A of the Foreign Assistance Act, section 523 of the 1987 Appropriation Act required these notices. We judged the remaining 24 notices submitted throughout the year as unnecessary either because the end of the fiscal year totals indicated the actual obligation did not exceed the amount requested in

<sup>2</sup>Notices were submitted in compliance with the following requirements:  
 Section 537 of the Foreign Assistance and Related Programs Appropriations Act, 1987 (P.L. 99-591), which requires advance notice of any sale of helicopters or other aircraft to El Salvador.  
 Section 549 of P.L. 99-591, which requires advance notice of obligation or expenditure of funds for the Sudan.  
 Section 553(2) of P.L. 99-591, which requires notice of the transfer of funds from a country that has not taken adequate steps to combat narcotics trade to one that has.  
 Section 607 of the International Security and Development Act, 1985 (P.L. 99-83), which requires notice of the use of earmarked funds to arm anti-narcotics aircraft for defensive purposes.



The first reprogramming notice of each year duplicates, in many respects, the allocation report. All allocations in excess of the CPD and all earmarked country programs require congressional notification. For the administration, using the budgeted amounts means fewer reprogramming notices because, as indicated earlier, these amounts are often larger than subsequently allocated. The difference between budgeted and allocated amounts gives the administration flexibility in reallocating funds without notifying the Congress when funds are reprogrammed among those countries that do not exceed original estimates.

As the following excerpt shows, a 1986 Congressional Research Service Study<sup>4</sup> on foreign affairs reporting requirements also concluded that the allocation report, not the CPD, should serve as the baseline for congressional notification.

“From discussions with congressional staff, it seems that certain reprogramming factors are more important than others, and it is upon these that an alternative process might be shaped. This would also be contingent on the establishment of a link between the reprogramming reports and the sec. 653 report. The sec. 653 report could be regarded as a revision of the CPD—that is, it would establish new maximum levels for each country and functional account, obligations above which would trigger a congressional notification.”

In August 1987, the House Committee on Foreign Affairs introduced a proposal to amend the Foreign Assistance Authorization Bill (sec. 1104, H.R. 3100) that included changing the basis for triggering a notification to the section 653(a) report. Although the bill was not enacted, under this proposal reprogramming notices would be required when the proposed obligation to a country exceeded the original allocation by 5 percent or more for the fiscal year.

### Impact of Changing the Baseline

Currently, Congress is not informed of increases greater than the amount allocated for military support to a country if the amount is less than that justified in the CPD. Table I.3 illustrates funding changes that did not require reporting under the current requirements but would require notification if the allocation report were the funding baseline.

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<sup>4</sup>Larry Q. Nowels, *Reporting Requirements in the Foreign Affairs Field: Foreign Assistance Policy and Funding*, Congressional Research Service (Washington, D.C., 1986), pp. 3-4.

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## Thresholds for IMET

In fiscal year 1987, 43 of the 77 reprogrammings were for the IMET program. Although the Foreign Assistance Act exempts reporting changes of less than \$25,000, no exclusion exists in the appropriations act. Further, the number of IMET reprogrammings is high because all funds must be obligated by the end of the fiscal year. DSAA reallocates the funds semiannually to fully utilize IMET appropriations.

IMET reprogrammings typically involve the least amount of money of the three programs. Limiting IMET reporting to only those increases of \$25,000 or more reduced the minimum number of notices required in 1987 from 23 to 13. Executive and legislative branch officials generally agree that changes under \$25,000 are not significant enough to warrant notification.

## Reporting Reductions

Currently, there is only one requirement to report country program reductions. The Foreign Assistance Act of 1961 requires a reprogramming notice to specify which country programs were reduced to fund others, if known, if a reprogramming exceeds \$1 million and the total allocation to a country in a fiscal year is greater than \$5 million. In fiscal years 1986 and 1987, no reprogrammings met these criteria after the initial allocation.

Several respondents to our congressional survey indicated that they would like to know more about which programs were reduced to fund others. Although the responses were divided on whether not being informed of funding reductions presented a problem, about 75 percent indicated they would like to receive such information. State Department officials voiced concern that reporting country program cuts would be politically sensitive.

If the executive branch had been required to submit reprogramming notices for reductions, it would have had to submit 24 notices in fiscal year 1987, assuming that the allocation report served as the baseline and that IMET reductions of less than \$25,000 were excluded. A total of 47 notifications would have been submitted if notifications were required for all IMET funding reductions.

**Appendix I**  
**Reprogramming of Military Assistance**

**Table I.6: Reprogrammed Funds or MAP Receipts**

Dollars in thousands	
<b>Country source</b>	<b>Funds reprogrammed</b>
El Salvador (Harkin Amendment)	\$5,000
Panama (political situation)	2,944
MAP receipts	1,073
Bolivia (drugs, sec. 523-2)	1,000
Sudan (to Chad)	1,000
Thailand (to Chad)	1,000
MAP general costs (unused)	951
<b>Total</b>	<b>\$12,968</b>
<b>Recipients</b>	
Chad	\$4,000
Guatemala	3,000
Dominican Republic	1,000
Ecuador (from Bolivia)	1,000
Sudan (payback)	1,000
Thailand (payback)	1,000
Senegal	544
Colombia	500
Uruguay	500
African Civic Action	224
Djibouti	200
<b>Total</b>	<b>\$12,968</b>

Source: DSAA, Fiscal Year 1987 Final Military Assistance Allocation

The information in table I.6 could be communicated in this format to the Congress at the end of the fiscal year when final allocations are made.

## Reporting Program Content Changes

Although information on program dollar levels is provided in the CPD, the CPD is not specific about the proposed use of the military aid funds requested. Since specific information on the types of equipment to be provided was not contained in the CPD, increases in equipment transfers were not reported through the reprogramming notification process. To correct not only the CPD but the reprogramming notification system, an additional reporting requirement was included in the Fiscal Year 1988 Appropriations Act, section 523 (P.L. 100-202). In general, section 523 requires that the House and Senate Appropriations Committees be notified of increases in major defense equipment transfers. Specifically, the legislation states that

**Table I.7: CPD Program Content Reporting Format**

<b>Country X</b>	<b>Budget request/ allocation</b>
Funding requirements for ongoing programs	\$\$\$
Support of equipment previously furnished (sustainment)	\$\$\$
Training	\$\$\$
Potential new programs	\$\$\$

Note: A list of the types and quantities of defense items follow each category, as applicable.

The updated program content report (submitted 30 days after the allocation report) is considered a reprogramming action, even though it is technically not an obligation but a commitment. The actual obligation normally occurs prior to a particular transfer. Government letters of offer to sell and commercial contracts for listed items using FMS credits are not processed during the 15-day notification period. The newly devised format for notifying the Congress of program content changes lists the country, item, and quantity and provides the program justification reference (CPD or other document). DOD could neither project the number of additional reprogrammings nor estimate the additional administrative burden that would result from the requirement to report equipment changes. As of April 20, 1988, DSAA had prepared 12 program content reprogramming notifications. Preparation of the original program content report takes about 2 weeks.

In order to monitor compliance with this new requirement, on January 29, 1988, DSAA issued guidelines for identifying equipment types and quantity changes that require congressional notification. The procedures address program implementation and the reporting baseline in accordance with the legislation. DSAA believes that the guidance it issued as a result of this new reporting requirement will identify increases in equipment transfers funded with military aid and prevent a commitment until the notification period expires.

**Clarification of Equipment Reporting Requirement**

Overall, with minor modification, DOD's process should provide the Congress with the information it seeks for its oversight function. The modification entails some additional clarification in DSAA's equipment reporting and congressional notification. We discussed these points with DSAA and believe remedial steps are being taken.

The most difficult reporting aspect to deal with is planned transfers of similar equipment from one year to the next. A similarly described

the end of the fiscal year. These changes would provide the Congress with a more accurate record of how DOD uses military assistance.

The Congress may also wish to consider including the \$25,000 threshold for notifying the Congress of increases in IMET in the annual appropriations act. This would correspond with section 634(a) of the Foreign Assistance Act and reduce some of the current administrative burden associated with reporting all IMET funding changes.

# Comments From the Defense Security Assistance Agency



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, DC 20301-2800

2 SEP 1988

In reply refer to:  
I-014157/88

Mr. Frank C. Conahan  
Assistant Comptroller General  
National Security and International  
Affairs Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DOD) response to the General Accounting Office (GAO) Draft Report dated August 5, 1988, "DOD Reprogramming: Certain Congressional Notification Procedures for the Military Aid Program Should Be Changed" (GAO code 463758/OSD case 7729). The DOD agrees with the overall content of the GAO report. The Department specifically agrees with the recommendation on reprogramming notices to the Congress. The Defense Security Assistance Agency (DSAA) has already started the process of making these program content notifications to the Congress by using the 653(a) Foreign Assistance Act (FAA) report on major defense equipment (MDE) program content as the baseline. The initial guidelines were developed in close consultation with the GAO auditors to ensure compliance with the intent of Congress on reprogramming. The Department also agrees with the GAO recommendation to the Appropriation Committees to revise the threshold for notification of increases in International Military Education and Training to \$25,000 or more.

The Department appreciates the opportunity to comment on the draft report and the assistance of the GAO auditors in working with the DSAA in preparing the initial guidance to comply with the intent of Congress on reprogramming.

Sincerely,

A handwritten signature in cursive script that reads "Glenn A. Rudd".

Enclosure

GLENN A. RUDD  
DEPUTY DIRECTOR

Appendix III  
Comments From the Defense Security  
Assistance Agency

- The DOD submits a 15-day advance notification when the Department of State increases a country's allocation beyond the request in the CPD, the amount determined by Congress, or the amount in a prior notification.
- Upon receipt of the notification, congressional committees have 15 days to review the proposed reprogramming.
- If an issue is not resolved within the 15-day period, a committee representative can place an informal "hold" on the reprogramming. (According to the GAO, the DOD is under no legal obligation to comply with such a hold; however, in practice the DOD does not obligate funds until the hold is lifted.)

The GAO solicited the opinions of congressional staffers on their use of notifications, problems with the system, and alternatives to the current process. The GAO concluded that the notification process should be changed by substituting the allocation report, required under section 653(a) of the Foreign Assistance Act, which contains the DOD congressional adjustments to the DOD budget, as the baseline for reporting reprogramming actions. The GAO found that funding levels in the Administration budget are usually higher than allocated levels because the Congress traditionally appropriates less funds than requested. The GAO concluded, therefore, that the allocation report baseline would provide the Congress with more accurate information on how the DOD intends to use military assistance funds. The GAO recognized that changing to the allocation report would result in an increase in the number of reprogramming actions required. To offset the greater numbers of notifications, the GAO suggested the introduction of percentage or dollar thresholds for one or all military aid programs. (As an example, the GAO identified the IMET program has a \$25,000 threshold for reporting purposes in section 634A of the Foreign Assistance Act, but a requirement for notification on all reprogrammings, regardless of dollar value, in section 523 of the annual appropriations act.) (p. 4-8, pp. 14-24/GAO Draft Report)

Now on pp. 2-3 and 11-17.

DOD Position: Partially concur. The Department will follow the law on program dollar level reprogramming in Section 634A of the Foreign Assistance Act of 1961 (FAA) and Section 523 of the annual appropriations act, as explained in the annual Senate appropriations committee reports on the latter section, i.e., that country dollar levels within the CPD levels are deemed justified to the Congress for this purpose. Increases over the CPD dollar level for a country as allocated by the State Department in its Section 653(a) report are treated as a program dollar level reprogramming notification to the Congress. The

Appendix III  
Comments From the Defense Security  
Assistance Agency

required by section 653(a) of the Foreign Assistance Act. The GAO also noted that the updated program content report was submitted and the Defense Security Assistance Agency (DSAA) guidance now requires a reprogramming notice for any major defense equipment that was previously not reported or when a major equipment level previously reported is exceeded by 20 percent. According to GAO, the DOD could neither project the number of additional reprogrammings nor estimate the additional administrative burden that would result from the requirement to report equipment changes. Overall, the GAO concluded that, with minor exception, the DOD process should provide the Congress with the information it seeks for its oversight function. (The minor modification the GAO referred to entails some additional clarification in the DSAA equipment reporting and congressional notification. The GAO noted that DSAA is taking remedial steps to correct this problem.) (p. 27-31/GAO Draft Report)

Now on pp. 19-22.

DOD Position: Concur. The Department has already started the process of making notices to the Congress by using the 653(a) FAA report on major defense equipment program content as the baseline. The DSAA is endeavoring to automate the reporting to enable visibility of program transition from one program year to the next. This effort is continuing and has yet to be fully developed.



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Appendix III  
Comments From the Defense Security  
Assistance Agency

Department would have no objection if the law were changed to treat the Section 653(a) country levels as superseding the CPD country levels, subject to a percentage or dollar threshold for the increase, as suggested by the GAO.

FINDING C: Reporting Reductions In Military Aid Programs. The GAO found that congressional staff members wanted to know more about what programs were reduced to fund increases in other programs. The GAO reported that, currently, with one minor exception, there is no requirement to report reprogramming reductions to military aid programs. According to the GAO, State Department officials voiced concern that reporting country program cuts would be politically sensitive. The GAO calculated that if the Executive Branch had been required to submit reprogramming notices for reductions, it would have had to submit 24 notices in FY 1987, assuming that the allocation report served as the baseline and that the IMET reductions of less than \$25,000 were excluded (47 additional notices would have been required if the IMET reductions less than \$25,000 were not excluded). The GAO also suggested an alternative approach to informing the Congress of reductions--i.e., to report the sources of reprogrammed funds at the end of the year. The GAO observed that, although this proposal would not provide the Congress with advance notification, it would provide useful data on the movement of funds. (p. 6-7. pp. 25-27/GAO Draft Report)

DOD Position: Partially concur. The Department provides reprogramming notifications to the Congress on reductions, in accordance with section 634A FAA. The DOD is not supportive of a change to the reprogramming laws for the reason provided to the GAO by State Department officials. As indicated in Finding D, the GAO concluded that, with minor exception, the DOD process should provide the Congress with the information it seeks for its oversight function.

FINDING D: Reporting Program Content Changes. The GAO found that the program dollar levels provided in the CPD are not specific about the proposed use of the military aid funds requested--i.e., specific information on the types of equipment to be provided was not contained in the CPD. The GAO noted that increases in equipment transfer were, therefore, not reported through the reprogramming notification process. The GAO reported that, to correct this problem, the Congress included an additional reporting requirement in the FY 1988 Appropriation Act, section 523 (P.L. 100-202). In general, this Section requires that the House and Senate Appropriation Committees be notified of increases in major defense equipment transfers. The GAO found that the DOD prepared the subject report on program content and submitted the report to Congress in January 1988; however, the Senate requested the Administration to update the report within 30 days of submitting the allocation report

Now on pp. 3 and 17-19.

GAO DRAFT REPORT - DATED AUGUST 5, 1988  
(GAO CODE 463758) OSD CASE 7729

"DOD REPROGRAMMING: CERTAIN CONGRESSIONAL NOTIFICATION  
PROCEDURES FOR THE MILITARY AID PROGRAM  
SHOULD BE CHANGED"

DEPARTMENT OF DEFENSE COMMENTS

\* \* \* \* \*

FINDINGS

FINDING A: Notification Requirements For Reporting Funding Changes. The GAO described the requirements for reporting funding changes for the military aid program to the Congress. The GAO reported that the current reporting requirements are contained in section 523 of the FY 1988 Appropriations Act (P.L.100-202) and section 634A of the Foreign Assistance Act. The GAO observed that, in general, section 634A requires that the authorizing and appropriating committees be notified before obligating funds that exceed the annual budget justification for most foreign assistance program. Similar notification requirements are contained in the annual appropriations act section 523. The GAO further observed that section 634A requires that Congress be notified of reprogramming of \$25,000 or more for the International Military Education and Training (IMET) program. The GAO also observed that similar requirements in section 523 of the annual appropriation act require advance notification on all IMET reprogrammings, regardless of amount. Finally, the GAO noted that section 634A also contains a provision that, when reprogramming exceeds \$1 million and the total allocation to a country in a fiscal year exceeds the amount specified for that country in the report required by section 653(a) of the Foreign Assistance Act by more than \$5 million, the reprogramming notice must specify (1) the nature and purpose of the proposed obligation and (2) if known, the country for which the funds would otherwise have gone. (p.2, p.12-13/GAO Draft Report)

DOD Position: Concur.

FINDING B: Alternatives To The Current Notification Process. The GAO described the DOD process for reporting and the congressional process for reviewing notifications of funding changes. According to the GAO, the Congressional Presentation Document (CPD)--the Administration's budget request--serves as the baseline for reprogramming actions. The GAO noted that the baseline or country program level can also be defined by the Congress. The GAO explained the DOD procedures, as follows:

Now on pp. 1-2 and 10-11.

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# Objectives, Scope, and Methodology

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Our objective was to assess DOD's reprogramming of military assistance funds and the congressional notification process to determine whether changes in the process provide Congress better information on significant reprogrammings without undue administrative burden. We documented the process of budgeting, allocating, and reprogramming security assistance and analyzed all notifications for fiscal years 1986 and 1987. We compared the notifications with budgeted, allocated, and actual amounts reported by country in the administration's Congressional Presentation Documents and allocations reports to determine whether all increases had been properly reported and whether the number of notifications would significantly increase or decrease given different criteria.

As part of our review, we asked congressional staff to comment on their use of the notifications, identify problems, and evaluate various alternatives to the current system. Many of our responses were obtained through the use of a questionnaire administered in October and November 1987. The questionnaire was divided into separate sets of questions about AID and DOD. The questionnaire was sent to 67 staff members: 21 from 4 Senate Committees and Subcommittees and 46 from 13 House Committees and Subcommittees. Twenty-three filled out the questionnaire. The others indicated they were not involved or did not return the questionnaire. Thirteen responded concerning DOD notifications. Some respondents were also interviewed, and some staff interviewed did not complete a questionnaire. In total, the views of 17 staff members or users of DOD notifications were obtained. Their comments are reflected in this report. We can make some observations from the survey but cannot draw conclusions that apply to the entire population of users for two reasons: (1) the number and scope of responses were inadequate for reliable projections and (2) the 1988 Appropriations Act introduced some changes that might alter some of the responses if the same questions were asked today. The results of the questionnaire were shared with Chairman Lee H. Hamilton in official correspondence dated April 25, 1988 (B-230544).

We performed our review at DOD's Defense Security Assistance Agency in Washington, D.C. We interviewed officials at DSAA, the Department of State, the Office of Management and Budget, and the Congressional Research Service to obtain their views on the budget, allocation, and reprogramming processes, including problems and proposed solutions.

We conducted our review from May 1987 through April 1988 in accordance with generally accepted government auditing standards.

planned equipment transfer appearing in two consecutive years may be two different purchases or the same purchase delayed from one year to the next. DSAA recognized the problem and pointed out that the information presented in these reports reflects the country's and DSAA's best guess at a point in time. Purchases are often delayed or interchanged based on priorities and cash on hand. DSAA officials indicated that efforts are currently underway to computerize planned and actual equipment transfers by country, program, and funding source. They plan to use this data base to develop a reporting format that will correct some of the problems with the current presentation.

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## Conclusion

The requirement to notify Congress of increases in funds from one country to another has been expanded to include notification of increases in equipment transfers. Through executive and congressional initiatives, certain procedures have been established to prepare a more detailed budget justification and to notify the Congress of changes.

We believe that the funding baseline that serves to notify the Congress of increases in military aid allocated to a country, however, should be changed from the CPD to the allocation report. The allocation, or section 653(a), report could also be used as the baseline for reporting country program reductions. The major benefit to be derived from the change would be the consistency and simplicity of reporting. The program content report uses the section 653(a) allocation report to establish new program goals. Instead of using two different baselines for reporting reprogrammings (the CPD and the section 653(a) allocation report), all changes in funding or content should use the same baseline, that is, the allocation report.

This change would likely result in a greater number of reprogrammings than were submitted in prior years, which may cause an administrative burden for the Congress and/or the executive branch. To offset the greater numbers of notifications, percentage or dollar thresholds could be applied to the allocations, above which a notification would be required. In particular, the \$25,000 threshold for reporting increases in the IMET program should be included in the annual appropriations act.

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## Matters for Consideration

The Congress may wish to (1) consider establishing the section 653(a) allocation report as the funding baseline, or justification, for notifying the Congress of military aid reprogrammings and (2) require that reductions (i.e., sources and recipients of reprogrammed funds) be reported at

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“the President shall not enter into any commitment of [MAP or FMS program] funds...for the provision of major defense equipment, other than conventional ammunition, not previously justified to Congress or 20 per cent in excess of the quantities justified to unless the Committees on Appropriations are notified fifteen days in advance of such commitment.”

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## Notification of Program Change

In accordance with the new requirement in section 523, DSAA prepared a program content report, or list, of major defense equipment transfers—by country, type, and quantity—planned for fiscal year 1988. In January 1988, this list was sent to the Congress as a classified reprogramming notice. DSAA actually went beyond the legislative requirements in preparing the program content report by listing not only major defense equipment but also planned support and training.

The CPD serves as the baseline for program content (i.e., planned equipment transfers), but only until an updated report is submitted to the Congress based on the country program allocation. The Senate Appropriations Committee recognized that the data included in the CPD is often outdated by the time the appropriations act is passed. Therefore, in the Senate Report accompanying the appropriations bill, the administration was asked to “provide within 30 days of submitting the allocation report required by section 653(a) of the Foreign Assistance Act, an updated report of types of defense articles intended to be provided and amounts thereof.”

As requested, the administration submitted an updated program content report based on the fiscal year 1988 allocation. It was included in the classified (confidential) annex to the Fiscal Year 1989 CPD. According to DSAA guidance, a reprogramming notice will be sent on any major defense equipment for which preparation of a letter of acceptance to a recipient country is in progress if the item does not appear on any program content report to date or if it exceeds the quantities previously reported by 20 percent. Table I.7 shows an example of the program content reporting format.



**Appendix I**  
**Reprogramming of Military Assistance**

**Table I.5: Reporting of Reductions** (Using the Allocation Report as the Baseline for Notification)

<b>Fiscal year</b>	<b>Total</b>	<b>FMS</b>	<b>MAP</b>	<b>IMET</b>
Excluding IMET reprogrammings of less than \$25,000				
1987	24	0	7	17
1986	17	3	3	11
Including all IMET reprogrammings				
1987	47	0	7	40
1986	53	3	3	47

Although actual country funding totals are reported in a subsequent congressional presentation, DOD does not identify prior year reductions. To determine reductions, we had to compare the actual funding totals contained in the CPD with the proposed allocations in the prior year's 653(a) report and adjustments (reprogrammings) by individual country program for each fiscal year. Table I.5 is the result of this complex process.

Another approach to informing the Congress of reductions would be to report the sources of reprogrammed funds at the end of the year. Although this proposal would not provide the Congress with advance notification, it would provide useful data on the movement of funds. As an example, in the fiscal year 1987 program, nearly \$13 million in reprogrammed MAP funds was made available from the sources listed in table I.6.

**Appendix I**  
**Reprogramming of Military Assistance**

**Table I.3: Examples of Additional  
 Reprogramming Notifications** (Using the  
 Allocation Report as the Baseline)

Dollars in millions				
Program	Country	Fiscal Year 1987		
		Request	Allocation	Actual
MAP	Guatemala	\$10.0	\$2.0	\$5.0
	Chad	9.0	5.0	9.0
IMET	Pakistan	1.4	.9	1.2

If DOD had used the allocation report as the baseline for notifying the Congress of funding increases and had included all country programs not previously justified, the administration would have had to report 32 more reprogrammings in 1987 (74 compared to 42) and 15 more in 1986 (50 compared to 35). This assumes the exclusion of IMET reprogrammings of less than \$25,000. If all IMET reprogrammings had been reported, the administration would have been required to report a minimum of 100 reprogrammings as compared to the 53 (42 plus 11) required by section 523. Table I.4 shows the additional reprogrammings DOD would have had to report by year and program category.

**Table I.4: Reprogramming Requirements**  
 (Using the Allocation Report as the Baseline  
 for Notification)

Fiscal year	Total	FMS	MAP	IMET
Excluding IMET reprogrammings of less than \$25,000				
1987	74	3	34	37
1986	50	2	21	27
Including all IMET reprogrammings				
1987	100	3	34	63
1986	79	2	21	56

Overall, the number of reprogramming notifications (including all IMET) could nearly double if the allocation report were used as the baseline. If only reprogrammings that exceeded the allocation report by a certain percentage, or dollar threshold, required notification, the number of notifications would be fewer. Our analysis showed that a percentage greater than 10 percent would be necessary to significantly reduce the number of notifications that DSAA would be required to submit if the allocation report were used as the baseline. For example, if only those increases of 10 percent or more above the allocation had been reported, and the \$25,000 IMET exclusion had been applied, the administration would have been required to report a minimum of 66 reprogrammings (compared to 74) in fiscal year 1987.

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the CPD (10 cases) or because multiple reprogramming notices were sent affecting the same funding request (14 cases).<sup>3</sup> Some of the multiple reprogrammings were for country programs of the Eastern Caribbean and African Civic Action, which had not originally been allocated funds individually. Therefore, the allocation and subsequent changes resulted in multiple reprogrammings.

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### Alternatives to the Current Process

Based on our review of the DOD reprogramming notification system and interviews with congressional staff receiving reprogramming notices, we believe consideration should be given to changing certain aspects of the notification process for reporting funding changes. As part of our review, we solicited the opinions of congressional staff on their use of the notifications, problems with the system, and alternatives to the current process. Opinions were obtained through a questionnaire and/or interview. Although the response rate on the questionnaire was limited, the majority of those questioned favored changing the funding baseline from the CPD amounts to the DOD allocated amounts reported under section 653(a) of the Foreign Assistance Act. They also supported establishing a reporting threshold for the IMET program and reporting sources of reprogrammed funds (i.e., reductions above a particular threshold).

### Request Level Versus Allocation as the Baseline

Several congressional staff members considered the allocation report a satisfactory alternative to the CPD as the baseline for notifying the Congress of funding changes. The allocation, or section 653(a), report is a tabulation of fiscal year funding for all country programs submitted 30 days after the Congress appropriates funds. Since the administration frequently requests higher military aid levels than the Congress appropriates, DOD allocations are often smaller than the levels justified in the CPD. The allocation report represents the actual distribution of appropriated funds as determined by DOD and the Congress. The Congress earmarks funds for specific countries and purposes, and DOD allocates the balance based on funding priorities. The allocation report is more closely tied to the beginning of the fiscal year than the CPD, which is submitted about 8 months before the beginning of the fiscal year.

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<sup>3</sup>Some inaccuracies in forecasting funding levels are to be expected. Therefore, although the number of notices required under the various proposals are stated as "minimum requirements," the actual number of reprogramming notices sent would probably be higher. The minimum number is being used for comparison purposes.

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## Congressional Review of Reprogramming

During the 15-day notification period, congressional committees receiving the notifications review them and, in some cases, seek additional information on the reprogramming action from DOD's Defense Security Assistance Agency (DSAA). DSAA was unable to provide us with data on the number of informal inquiries received.

If the inquiry is not resolved during the 15 days, a committee representative can place an informal "hold" on the reprogramming. DOD is under no legal obligation to comply with such a hold; however, DOD does not obligate funds to a country or activity until the hold is lifted. For example, in fiscal year 1987, the Chairman, House Subcommittee on Foreign Operations, placed a hold on the first reprogramming notice for fiscal year 1987, which listed country program allocations in excess of the budget justification, and placed another hold on the sale of helicopters to a country in Central America. Both holds were subsequently lifted and no change was made to the original action. DSAA had no data available on the total number of holds placed on reprogramming notices. Seven congressional staff members surveyed said they had placed a hold on a reprogramming action as a result of receiving a notification.

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## Number of Reprogrammings

In fiscal years 1986 and 1987, DSAA submitted a total of 14 notifications to the Congress, but many of the notices included several reprogramming actions. In fiscal year 1987 nine notifications were sent to the Congress. The nine notifications contained 81 reprogrammings. Likewise, in fiscal year 1986 five notifications containing 50 reprogrammings were sent to the Congress.

## Analysis of Notifications

Based on our analysis of the reprogramming notices, we determined that all country allocations that exceeded amounts in the CPD were properly reported. DOD submitted several additional reprogramming notices to the Congress in cases where certain DOD actions required notification. To understand why DOD submitted the number of notifications that it did and how many more would be required given various situations, we analyzed all funding changes and notices submitted in fiscal years 1986 and 1987.

Of the 81 reprogramming and other types of notices sent to the Congress in fiscal year 1987, 77 involved reprogramming of country levels and satisfied the requirements of both sections 634A and 523. The other

# Reprogramming of Military Assistance

Beginning in 1974, the Congress required the executive branch to submit notification of intended reprogrammings of foreign economic and military assistance funds 15 days prior to their obligation. Under this system, the Congress was notified of DOD reprogrammings or changes in the military assistance program only if they increased the dollar amount previously justified for a country program in the administration's budget submission. The fiscal year 1988 Appropriations Act added the requirement to notify the Congress, prior to a commitment of funds, of any increases in planned major defense equipment<sup>1</sup> purchases for a country using Foreign Military Sales (FMS) or Military Assistance Program (MAP) funds. Under this new requirement, the administration must not only justify and report the amount of funds requested for each country, but it must also specify what major equipment is to be transferred.

## Notification Requirements for Funding Changes

The first requirement to report funding changes to Congress was enacted in the 1974 Appropriations Act. Currently, section 523 of the fiscal year 1988 Appropriations Act (P.L. 100-202) and section 634A of the Foreign Assistance Act set forth reporting requirements for reprogramming of foreign assistance funds. In general, section 634A requires that the authorizing and appropriating committees be notified before obligating funds that exceed the annual budget justification for most foreign assistance programs, including the FMS credit program and the MAP. Similar notification requirements are contained in the annual appropriations act, section 523. Specifically, section 634A says that

"none of the funds appropriated to carry out the purposes of [the Foreign Assistance Act] or Arms Export Control Act may be obligated for any activities, programs, projects, types of material assistance, countries, or other operations not justified, or in excess of the amount justified, to the Congress for obligation...for any fiscal year unless the Committee on Foreign Relations of the Senate, the Committee on [Foreign Affairs] of the House of Representatives, and the Committee on Appropriations of each House of the Congress are notified fifteen days in advance of such obligation."

Section 634A also requires that Congress be notified of reprogrammings of \$25,000 or more for the International Military Education and Training (IMET) program. Similar notification requirements are contained in section 523 of the annual appropriations act except that all IMET reprogrammings require advance notification, regardless of the amount.

<sup>1</sup>Major defense equipment is defined as any item of significant combat equipment on the U.S. Munitions List having a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million.

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# Contents

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Letter		1
Appendix I		10
Reprogramming of Military Assistance	Notification Requirements for Funding Changes	10
	Reporting Program Content Changes	19
	Conclusion	22
	Matters for Consideration	22
Appendix II		24
Objectives, Scope, and Methodology		
Appendix III		25
Comments From the Defense Security Assistance Agency		
Appendix IV		30
Major Contributors to This Report	National Security and International Affairs Division, Washington, D.C.	30
Tables		
	Table I.1: Reprogramming Notifications (Submitted in Accordance With Sections 634A and 523)	13
	Table I.2: Minimum Notification Requirements (Under Section 634A of the Foreign Assistance Act)	13
	Table I.3: Examples of Additional Reprogramming Notifications (Using the Allocation Report as the Baseline)	16
	Table I.4: Reprogramming Requirements (Using the Allocation Report as the Baseline for Notification)	16
	Table I.5: Reporting of Reductions (Using the Allocation Report as the Baseline for Notification)	18
	Table I.6: Reprogrammed Funds or MAP Receipts	19
	Table I.7: CPD Program Content Reporting Format	21

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other interested parties. We will make copies available to others on request.

Sincerely yours,

A handwritten signature in black ink that reads "Frank C. Conahan". The signature is written in a cursive style with a large initial 'F'.

Frank C. Conahan  
Assistant Comptroller General

to improve the consistency and simplicity of reporting. The allocation, or section 653(a), report could be used to establish new funding levels above which the Congress would be notified of reprogrammings. It could also be used as the baseline for reporting reductions.

This change would likely result in a greater number of reprogrammings than were submitted in prior years, which may cause an administrative burden for the Congress and/or the executive branch. To offset the greater numbers of notifications, percentage or dollar thresholds could be introduced for one or all military aid programs. In particular, the \$25,000 threshold for reporting increases in the IMET program contained in the Foreign Assistance Act should also be included in the annual appropriations act. It is the administration's position that because the exclusion is in the authorization but not in the appropriation, all IMET increases will be reported to all oversight committees regardless of the amount. Executive and legislative branch officials generally agree that changes under \$25,000 are not significant enough to warrant notification.

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## Matters for Consideration

The Congress may wish to consider establishing the DOD allocation report required by section 653(a) of the Foreign Assistance Act as the funding baseline, or justification, for notifying the Congress of reprogrammings, and may wish to require that reductions (i.e., sources and recipients of reprogrammed funds) be reported at the end of the fiscal year. These changes would provide the Congress with a more up-to-date record of how DOD uses military assistance funds.

The Congress may also wish to include in the annual appropriations act the \$25,000 threshold for notification of increases in IMET. This change would correspond with section 634A of the Foreign Assistance Act and reduce some of the current administrative burden associated with reporting all IMET funding changes.

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## Agency Comments

DOD provided written comments on a draft of this report. These comments are included in appendix III.

DOD agreed with the overall content of the report and the suggestions on reprogramming notices to the Congress. DOD will continue to follow the law on program dollar-level reprogramming in section 634A of the Foreign Assistance Act of 1961 and section 523 of the annual appropriations act. However, DOD does not object to the law's being changed to



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Appropriations Act<sup>1</sup> added the requirement to notify the Congress 15 days in advance of any commitment of funds to a country for major defense equipment purchases not previously justified, or if the quantity to be acquired was 20 percent greater than previously justified. This requirement resulted in the January 1988 submission of a program content report that listed—by country, type, and quantity—proposed equipment transfers based on DOD's military assistance budget request. The program content report included not only major equipment sales, as required, but also other procurements such as training and support. This classified report served as the baseline for notifying the Congress of reprogrammings until DOD prepared an updated report based on the country program allocations. DOD submitted the updated fiscal year 1988 program content report as part of the classified annex to the fiscal year 1989 Congressional Presentation Document.

In fiscal years 1986 and 1987, DOD submitted a total of 14 notifications to the Congress, which contained 131 reprogramming actions. Since DOD did not have to report changes in equipment purchases in the past, the new requirement will likely lead to additional notifications and some administrative burden.

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## Alternatives to the Current Notification Process

Based on our review of the DOD reprogramming notification system and interviews with congressional staff receiving reprogramming notices, we believe consideration should be given to changing certain aspects of the current process. As part of our review, we solicited the opinions of congressional staff on their use of the notifications, problems with the system, and alternatives to the current process. Opinions were obtained through a questionnaire and/or interview. Although the response rate on the questionnaire was limited, the majority of those questioned favored changing the funding baseline from the Congressional Presentation Document to the DOD fund allocation report. The allocation report, which is required by section 653(a) of the Foreign Assistance Act, contains DOD and congressional adjustments to the DOD budget. The respondents also supported establishing a reporting threshold for the IMET program and reporting sources of reprogrammed funds.

About one-half of those responding to our survey questions on the baseline said the current system was satisfactory. However, about three-quarters of those same respondents said they would prefer the

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<sup>1</sup>Section 523 of the Foreign Operations, Export Financing, and Related Program Appropriations Act, 1988 (P.L. 100-202).

