

GAO

Briefing Report to the Chairmen,  
Subcommittees on Defense, Senate and  
House Committees on Appropriations

September 1992

1993 ARMY BUDGET

Potential Reductions to  
Tracked and Wheeled  
Vehicle Programs



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

National Security and  
 International Affairs Division

B-249924.1

September 21, 1992

The Honorable Daniel K. Inouye  
 Chairman, Subcommittee on Defense  
 Committee on Appropriations  
 United States Senate

The Honorable John P. Murtha  
 Chairman, Subcommittee on Defense  
 Committee on Appropriations  
 House of Representatives

This report responds to your requests that we review the Army's justification for its fiscal year 1993 budget requests for selected line items in its tracked and wheeled vehicle Research, Development, Test, and Evaluation (RDT&E) and Procurement programs. Also, we reviewed the Army's execution of the fiscal year 1992 appropriations for tracked and wheeled vehicles. In May and July 1992, we briefed your offices on the results of our review. This report includes the information provided at those briefings and the final results of our review.

We identified potential budget reductions and a potential rescission totaling \$192.2 million in the amounts requested or appropriated for selected programs. This amount includes reductions of \$161.1 million in fiscal year 1993 and a rescission of \$31.1 million in fiscal year 1992. These potential reductions and rescission are possible because (1) a program change reduced the Line-of-Sight Antitank (LOSAT) weapon's funding requirement and (2) funding for an increment of the Family of Medium Tactical Vehicles (FMTV) acquisition program is not needed until after fiscal year 1993. Table 1 shows the potential budget reductions and the potential rescission by program.

**Table 1: Potential Reductions and Rescission to the Army's Tracked and Wheeled Vehicle RDT&E and Procurement Programs**

Dollars in millions			
Program	Fiscal year		Total
	1993	1992	
Line-of-Sight Antitank Weapon	\$122.8	\$31.1	\$153.9
Family of Medium Tactical Vehicles	38.3	0	38.3
<b>Total</b>	<b>\$161.1</b>	<b>\$31.1</b>	<b>\$192.2</b>

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Office of the Secretary of Defense and Army officials agreed with our potential budget reductions and potential rescission. However, they said that the potential reduction and rescission of engineering development funding for the LOSAT weapon system would leave the program without funding and that the Army wants to continue it in advanced development. They agreed that the Army will have to justify to Congress the need for funding to continue advanced development of LOSAT in fiscal year 1993.

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## Line-Of-Sight Antitank Weapon

LOSAT weapon system is to consist of a kinetic-energy, direct-fire missile mounted on a Bradley Fighting Vehicle chassis. LOSAT is intended to replace the Improved Tube-launched, Optically-tracked, Wire-guided Vehicle, which is mounted on a M113 vehicle chassis. The Army planned to transition the program from advanced development to engineering development in fiscal year 1993.

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## Results of Analysis

For fiscal year 1993, the Army requested \$122.8 million for LOSAT, as part of its \$5.4 billion RDT&E budget request. For fiscal year 1992, Congress appropriated \$139.8 million for LOSAT.

We identified a potential budget reduction of \$122.8 million for fiscal year 1993, the full amount of the Army's request, and a potential rescission of \$31.1 million for the fiscal year 1992 RDT&E appropriation—\$3 million from engineering development funding and \$28.1 million in advanced development funding.

The Army planned to move the LOSAT program from advanced development to engineering development in fiscal year 1993. However, the Office of the Secretary of Defense rejected the Army's planned program move because the Army did not commit sufficient funding to develop and produce LOSAT. The Office of the Secretary of Defense gave the Army approval to continue LOSAT in advanced development to further develop subsystem technologies for demonstration testing beginning in fiscal year 1995.

In addition, the fiscal year 1992 RDT&E appropriation for LOSAT included \$28.1 million for a contract to facilitate the transition from advanced development to engineering development. The Office of the Secretary of Defense has not released these funds to the program.

Program officials said that the funding for engineering development and the transition contract will not be required for LOSAT during fiscal years

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1992 and 1993 as a result of the decision to continue the program in the advanced development phase. They also said the Army will request that Congress transfer the fiscal year 1993 funding from LOSAT engineering development to LOSAT advanced development to support the revised strategy. Because the Army will not move the LOSAT program to engineering development, we believe the \$122.8 million requested for LOSAT engineering development in fiscal year 1993 could be eliminated and that \$31.1 million appropriated in fiscal year 1992—\$3 million for LOSAT engineering development and the \$28.1 million for the LOSAT transition contract—could be rescinded by the Congress. Also, we believe that once the Army determines how much is needed to continue advanced development, it should separately justify the funds it requires to continue LOSAT in advanced development.

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## Family of Medium Tactical Vehicles

The FMTV acquisition program is designed to replace present 2-1/2-ton and 5-ton truck fleets with new vehicles that will satisfy the operational needs of the Army. FMTV will consist of new 2-1/2-ton and 5-ton trucks, utility trailers, and kits. The Army can use the trucks, trailers, and kits in various configurations for different purposes, such as operating in arctic weather, carrying troops under a canvas cover, or using a crane to unload bulk cargo. The Army is planning to field FMTV beginning in October 1993.

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## Results of Analysis

For fiscal year 1993, the Army requested \$291.1 million for the FMTV program as part of the Army's \$3.1 billion other procurement budget. We identified a potential budget reduction of \$38.3 million from the fiscal year 1993 FMTV program request.

The Army is acquiring FMTV under a 5-year multiyear contract. The fiscal year 1993 budget request is for the 3rd year of the contract that calls for production of 2,384 trucks, with the procurement being split into two increments. The first increment of 1,979 trucks would be produced under low-rate initial production, scheduled for award in December 1992. The second increment of 405 trucks is scheduled for award in December 1993, depending on whether the Army System Acquisition Review Council decision authorizes full-rate production.

We believe that a reduction of \$38.3 million, the cost of the second increment, is possible because the second increment award date will not occur in fiscal year 1993. Army budget guidance provides that if funds can be deferred to a future fiscal year and still be available in time to support a

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scheduled production, the funds should not be requested in an earlier fiscal year. Since the funds to procure the 405 FMTV trucks are not needed until fiscal year 1994, we believe the fiscal year 1993 request can be reduced by the \$38.3 million.

Office of the Secretary of Defense and Army officials agreed that production funding for the second increment will not be required until fiscal year 1994. However, program officials said the Army would have to cancel the FMTV contract and pay a cancellation fee if the funding deleted from fiscal year 1993 was not replaced in fiscal year 1994.

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## Scope and Methodology

We conducted our review at the Program Executive Office for Armored Systems Modernization and the Program Executive Office for Combat Support located at the Tank-Automotive Command in Warren, Michigan. These offices are responsible for developing tracked and wheeled vehicle program budgets and for implementing prior-year funding programs.

We conducted a detailed review to identify potential reductions and rescissions by (1) interviewing Army officials responsible for managing the selected programs and (2) reviewing and analyzing various documents, including budget justifications, contracts, and cost estimates to determine the degree to which they were supported by cost data, program requirements, and valid methodology.

We performed our review from March to August 1992 in accordance with generally accepted government auditing standards.

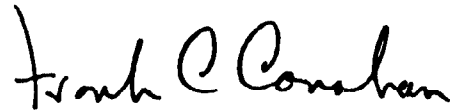
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We did not obtain written agency comments on this report. However, we discussed the contents of this report with officials from the Office of the Comptroller-Department of Defense, the Joint Staff, the Assistant Secretary of the Army (Research, Development, and Acquisition), and the program offices responsible for LOSAT and FMTV, and have incorporated their comments where appropriate.

We are sending copies of the report to the Chairmen and Ranking Minority Members of the Senate and House Committees on Appropriations and Armed Services, the Secretaries of Defense and the Army, the Director of the Office of Management and Budget, and other interested congressional committees. Copies will be made available to others upon request.

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This report was prepared under the direction of Richard Davis, Director, Army Issues, who may be reached on (202) 275-4141 if you or your staff have any questions. Other major contributors are listed in the appendix I.



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