

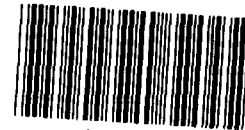
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Briefing Report to the Chairmen,
Subcommittees on Defense, Senate and
House Committees on Appropriations

September 1992

1993 ARMY BUDGET

Potential Reductions in Aircraft Programs



147672

**National Security and
International Affairs Division**

B-250219

September 29, 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 selected accounts in its fiscal year 1993 budget requests for aircraft Research, Development, Test and Evaluation (RDT&E) and Procurement programs. Also, we reviewed the Army's execution of (1) the Army's aircraft programs' appropriations for fiscal years 1991 and 1992 and (2) the Army aircraft portions of Operation Desert Storm supplemental appropriations for fiscal year 1992. Our objectives were to identify (1) reductions to the fiscal year 1993 budget request and (2) rescissions of prior years' appropriations.

In May and July 1992, we briefed your offices on the preliminary results of our review. This report summarizes and updates the information we provided at those briefings.

Results in Brief

We identified a potential reduction and rescissions totaling \$13.4 million for Army aircraft programs. This amount includes a potential reduction of \$3.5 million in the fiscal year 1993 budget request and potential rescissions of \$6.8 million of fiscal year 1992 appropriations and \$3.1 million of fiscal year 1991 appropriations. The potential reduction is possible because the Longbow program request of \$282.8 million was overstated by \$3.5 million. The potential rescissions are possible because (1) the Department of Defense did not transfer \$6.8 million of the funds appropriated for the Apache helicopter program to the Army and (2) contracts for the Black Hawk helicopter were awarded at \$3.1 million less than expected. Table 1 shows the potential reduction and rescissions by aircraft program.

Table 1: Summary of Potential Reduction and Rescissions to the Army's Aircraft Programs

Dollars in millions

Program	Fiscal year			Total
	1993	1992	1991	
Longbow	\$3.5	0	0	\$3.5
AH-64A Apache Helicopter	0	\$6.8	0	6.8
UH-60L Black Hawk Helicopter	0	0	\$3.1	3.1
Total	\$3.5	\$6.8	\$3.1	\$13.4

Officials in the Department of Defense and the Army generally agreed with our suggested reduction and rescissions because funds had either not been properly requested or were not being used for the purpose for which they were appropriated.

Longbow Program

The Longbow program is intended to develop an improved target acquisition and designation system and an upgraded Hellfire missile for use in the AH-64 Apache and the RAH-66 Comanche helicopters. The Army plans to install the Longbow on 227 AH-64 Apache helicopters and on one-third of the RAH-66 Comanche helicopter fleet.

The Army began early development of the Longbow program in late 1985. The program is currently in engineering and manufacturing development and is scheduled to enter low-rate initial production in March 1995.

Results of Analysis

Our review indicated that the Army's RDT&E budget request for fiscal year 1993 for the Longbow could be reduced by \$3.5 million. This amount is a potential reduction because program officials improperly added it to the Longbow program's overall funding requirements.

The Army's RDT&E budget request for fiscal year 1993 included \$282.8 million for the Longbow program, which overstated Longbow funding requirements by \$3.5 million. Longbow program officials said that this amount had been added to the Longbow budget submission in anticipation of this exact amount being subtracted from the Longbow appropriation by Army headquarters to cover the required contribution to the Small Business Innovation Research Program.

The Small Business Innovation Development Act of 1982, Public Law 97-219, requires the Army and other federal agencies with research and

development budgets in excess of \$100 million to contribute 1.25 percent of their budgets to the Small Business Innovation Research Program. Congress established this program to strengthen the role of small businesses in federally funded research and development projects. The cost of research and development contracts with small businesses is paid for out of these funds.

The Office of the Army General Counsel, in an October 1991 decision, stated that its review of Public Law 97-219 and its legislative history indicated that for the Army to first establish its RDT&E budget and then subsequently add 1.25 percent to that amount to support the Small Business Innovation Research Program with no further justification of need would be improper. On the basis of this decision, we believe that the \$3.5 million is available for a possible reduction.

Officials in the Department of Defense, Army headquarters, and Longbow program office agreed with our suggested reduction.

AH-64A Apache Helicopter

The AH-64A Apache is the Army's premier attack helicopter. As of March 31, 1992, the Army had received 711 Apaches of the planned total procurement of 811.

Results of Analysis

Our review indicated that \$6.8 million could be rescinded from the fiscal year 1992 Operation Desert Storm supplemental appropriation. This amount is available because it was part of the amount appropriated to procure four Apaches but was not transferred to the Army by the Office of the Secretary of Defense.

In fiscal year 1992, Congress made a special supplemental appropriation for Operation Desert Storm. These funds were from the Defense Cooperation Account. Included in the supplemental appropriation was \$70.2 million to procure four Apache helicopters to replace those lost in Operation Desert Storm. However, the Department of Defense Comptroller's office has transferred only \$58.5 million to the Army to procure the four helicopters.

Apache program officials said they need \$63.4 million to procure the four Apache helicopters. An official in the Comptroller's office said that the Army has not requested a transfer of the additional \$4.9 million. However, according to the official, the funds will be transferred when the Army

makes a request if the requirement is valid. We believe that the remaining \$6.8 million is available as a potential rescission because the funds will probably not be used for the purpose for which they were appropriated. Program officials emphasized that any rescission should be made from the fiscal year 1992 Operation Desert Storm special supplemental, not the Army aviation account.

UH-601 Black Hawk Helicopter

The Black Hawk helicopter's primary mission is to transport troops and equipment. Additional Black Hawk functions include aeromedical evacuation, troop resupply, and command and control.

The Army is procuring the Black Hawk under a multiyear contract. The initial production version of the Black Hawk was designated the "UH-60A." However, starting in October 1989, Black Hawks were produced with upgraded engines. This Black Hawk version was designated the "UH-60L." The Army has procured 1,143 Black Hawk helicopters out of a total planned procurement of 2,253.

Results of Analysis

Our review indicated that \$3.1 million could be rescinded from the Black Hawk Procurement appropriation for fiscal year 1991. This rescission is possible because the appropriated amounts exceeded the actual contract costs for two Black Hawk contracts.

Congress appropriated \$12.4 million for Black Hawk engine filter kits to reduce the amount of debris ingested by the engines. The Army signed a contract for \$10.7 million for these kits. The remaining \$1.7 million is available for a potential rescission.

Similarly, Congress appropriated \$6.5 million to the Army to cover the cost of the contract for glass windshields and to install them in the Black Hawk helicopters that still had plexiglass windshields. Of the total \$6.5 million appropriation, \$5.2 million was to cover the contract cost for the windshield kits, and \$1.3 million was to cover the installation cost. The Army's contract cost for the glass windshields totaled only \$3.8 million. The remaining \$1.4 million is available for rescission. Officials in the Departments of Defense and the Army and the Black Hawk program office agreed that \$3.1 million in fiscal year 1991 appropriations will not be used for the purpose for which they were appropriated.

Scope and Methodology

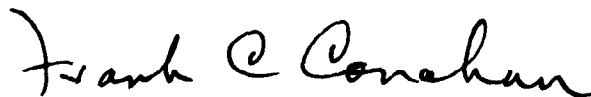
We performed our review primarily at the U.S. Army Aviation and Troop Command (formerly the U.S. Army Aviation Systems Command and the U.S. Army Troop Support Command) in St. Louis, Missouri. This organization is responsible for, among other things, developing, acquiring, fielding, and sustaining Army aviation systems.

We conducted a detailed review to identify potential reductions and rescissions by (1) interviewing Army officials responsible for managing the selected systems 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.

We did not obtain fully coordinated Department of Defense comments on this report. However, we discussed its contents with officials from the offices of the Under Secretary of Defense (Acquisition); the Comptroller of the Department of Defense; the Assistant Secretary of Defense (Program Analysis and Evaluation); the Deputy Secretary of the Army (Financial Management); and the Assistant Secretary of the Army (Research, Development, and Acquisition); and the program offices responsible for the weapon systems. These officials generally agreed with our suggested reduction and rescissions.

We are sending copies of this report to the Chairman and Ranking Minority Members of the House and Senate Committees on Armed Services, the Secretaries of Defense and the Army, and the Director of the Office of Management and Budget. Copies will also be made available upon request.

This report was prepared under the direction of Henry L. Hinton, Director, Army Issues, who may be reached at (202) 275-4133 if you or your staff have any questions. Major contributors to this report are listed in appendix I.



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