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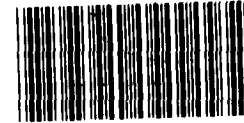
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

MISSION ANALYSIS AND
SYSTEMS ACQUISITION DIVISION

B-200766

SEPTEMBER 10, 1981

The Honorable Verne Orr
The Secretary of the Air Force



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Attention: Assistant Auditor General

Dear Mr. Secretary:

Subject: Questionable Use of the C-X and Other Air Force
Weapon System Funds (MASAD-81-41)

In our letter of March 9, 1981, we advised the Secretary of Defense of our plans to review 21 weapon systems, including the Air Force's C-X airlift aircraft program. The objective of these reviews is to provide the Congress with reports on key issues peculiar to each system. Reporting on these systems depends on the significance of the matters disclosed and the timing of critical decisions to be made by the Congress or the Department of Defense.

The C-X is one of several weapon systems being managed by the Deputy of Airlift and Trainer Systems (Deputy for Airlift), Aeronautical Systems Division (ASD), Air Force Systems Command (AFSC), Wright-Patterson Air Force Base, Ohio. Some matters concerning the Air Force's use of weapon system funds came to our attention during our review of the C-X which we believe warrant your attention. Specifically, about \$531,000, or 36 percent, of the C-X funds released by AFSC to ASD's C-X System Program Office (SPO) as of July 1, 1981, had been allocated for a building renovation, purchase of general-purpose automatic data processing equipment, and a management information system study. In our opinion, we question whether these funds have been used in a manner contrary to the intent of the congressional approval of the C-X program. Also, the continuing use of C-X funds in this manner may be inappropriate because the costs for such general-purpose projects, which are necessary for ASD to carry out its basic mission of developing and acquiring weapon systems, are normally charged to acquisition and command support funds rather than mission program funds.

Although our review was primarily limited to the C-X program, we also obtained some information on other systems (C-5, KC-135,

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and companion trainer aircraft) managed by the Deputy for Airlift. These practices were also being applied to these other systems.

At this time, we do not know what practices are followed on other Air Force or other services' programs, but we plan to look into that in the future. We bring this matter to your attention at this time for you to determine whether these practices are appropriate and whether new policies and procedures should be implemented to preclude these practices from continuing.

INTRODUCTION

In November 1979 the Air Force formed a task force with Army and Marine Corps participation to define future airlift requirements for the worldwide deployment of U.S. forces. The task force documented significant shortfalls in long-range intertheater as well as intratheater airlift capabilities. To meet these requirements, the Air Force has proposed the C-X, an aircraft which can carry larger loads than the C-141 but about half as much as the C-5.

Limited congressional approval of the C-X program

Only \$35 million of the Air Force's request of \$81 million for the C-X was approved by the Congress in the Department of Defense Authorization Act for Fiscal Year 1981. Both the House and Senate Armed Services Committees were not convinced that the C-X was a good approach to meeting stated requirements. Furthermore, the House committee felt that the C-X was not adequately justified, was not sequenced with sealift deficiencies, and did not address near-term lift deficiencies. The act required the Secretary of Defense to review U.S. strategic mobility capabilities in more detail in the Congressional Mandated Mobility Study (CMMS). The CMMS, due February 1, 1981, was to consider capabilities and requirements in the Indian Ocean and Persian Gulf regions as well as the North Atlantic Treaty Organization theater. It was also to make cost comparisons. The act authorized up to \$35 million for the C-X program, but expressly stated that none of the funds were to be used for full-scale engineering development of the aircraft until the Secretary of Defense made certain certifications regarding such matters as airlift requirements and technical feasibility. The act provided that no more than \$15 million could be obligated or expended before February 1, 1981, and that the remaining \$20 million could not be obligated or expended before 60 days following the submission of the CMMS to the Congress.

Both the House and Senate Appropriations Committees concurred with the CMMS requirements and limited funding for the program. The House conferees made it clear, however, that their conditional approval did not constitute an agreement to start a several billion dollar program to develop a new airlifter.

Although the fiscal year 1981 Defense Appropriation Act did not expressly provide for the C-X, the act did contain the aforementioned CMMS and certification requirements. In response, the CMMS was submitted on May 21, 1981, but the required certifications have not yet been submitted.

Funding categories

The Department of Defense allocates its research, development, test, and evaluation appropriations into two major categories: mission programs and management and support programs. Each category is comprised of many individual program elements (PEs).

Mission programs include all the research, development, test, and evaluation work performed under contract or in-house for the purpose of developing and acquiring weapon systems. The C-X (PE 64231F) is one of many mission programs. Management and support programs include acquisition and command support (PE 65806F) which provide the support resources for AFSC and ASD scientists, engineers, and managers who actually develop and acquire future Air Force weapon systems. Support resources includes civilian pay, rents, heat and lighting, computer time, printing services, travel and transportation, supplies, equipment, and contract services. Contract services include, among other things, facility maintenance, repair, and minor construction projects and installation of related equipment.

QUESTIONABLE USE OF C-X AND OTHER AIR FORCE WEAPON SYSTEM FUNDS

Of the \$35 million authorized for the C-X, \$1.47 million had been released as of May 1, 1981, to the C-X SPO within the ASD Deputy for Airlift. About \$531,000, or 36 percent, of these mission program funds have been allocated for projects which are normally funded with acquisition and command support funds--a building renovation, purchase of general-purpose automatic data processing equipment, and a management information system study.

Building renovations

Building 17 at Wright-Patterson Air Force Base is being renovated to house the new C-X SPO. The DD Forms 1391 (Military Construction Project Data) for the renovation showed that fiscal year 1980 acquisition and command support funds (PE 65806F) were to be used. The most current (August 1980) DD Forms 1391 for the renovation showed that the total estimated cost was \$720,000. The Deputy for Airlift was directed by ASD to do the renovation, and the deputy agreed to fund \$365,000 of the renovation with C-X mission program funds, while the balance of \$355,000 was to be funded with ASD acquisition and command support funds.

A contract was awarded to the lowest bidder in January 1981 to renovate Building 17 at a cost of \$437,256. The contract

includes \$145,973 for minor construction, \$273,469 for maintenance and repair, and \$17,814 for equipment. The contract cited fiscal year 1981 C-X funds (PE 64231F) totaling \$126,956 and \$310,300 of fiscal year 1980 acquisition and command support funds (PE 65806F). As of July 1, 1981, the renovation was about 31-percent complete.

In March 1981, after the release of additional C-X mission funds by AFSC, the Deputy for Airlift provided an additional \$238,044 of C-X funds, bringing the total C-X funding up to \$365,000 for the renovation of Building 17. We were advised in May 1981 that the remaining \$72,256 of Building 17 renovation cost would remain funded with acquisition and command support funds.

It was originally intended that the \$238,044 of C-X funds would be used for the renovation contract, thus releasing an equal amount of fiscal year 1980 acquisition and command support funds for use on other fiscal year 1980 projects. After receiving a draft of this report, the ASD Comptroller initiated action that resulted in a decision to restore the \$238,044 to the C-X account. In July 1981, the Air Force said that the \$238,044 had been restored to the C-X account because there were no approved fiscal year 1980 projects which could be initiated within the few months remaining in the fiscal year to obligate the released acquisition and command support funds.

The Deputy for Airlift also provided \$130,000 of companion trainer aircraft funds for the renovation of Building 91 at Wright-Patterson Air Force Base. The deputy also plans to provide funds from the KC-135 reengining program to renovate a portion of Building 56.

Purchase of general-purpose
automatic data processing equipment

ASD is in the process of acquiring an automated management system (AMS). The AMS concept was developed to enhance the working capability of each SPO through the use of common systems on standard hardware. AMS is a family of minicomputers consisting of a central site (supermini) with eight minis at various SPOs. The system is to provide an interface to the large ASD computers, commercial time-sharing systems, and contractor systems. Each SPO is to provide funding for its remote site. The central site is to be funded on a prorated basis with SPO mission program funds and not with acquisition and command support funds.

The total AMS project costs for fiscal years 1981-86 are estimated to be \$30 million. In February 1981 ASD directed its various offices to provide \$3,283,000 for the initial hardware and application software. The Deputy for Airlift's share was \$285,950, and in March 1981 it provided \$121,950, or 43 percent of its share, with C-X funds. The balance of funding was provided from C-5, KC-135, and companion trainer aircraft mission programs.

Management information system study

The Deputy for Airlift is planning to contract for a management information system to document how its workload can best be computerized. The contractor is to identify and document the data flow and automation capabilities/requirements necessary to manage this data flow. This task is intended to complement the AMS effort and define a system of information processing which should also provide maximum use of AMS. This system should also provide a solution to those information processing problems specific and unique to the Deputy for Airlift. In April 1981 the Deputy for Airlift approved \$115,000 for this effort, of which \$44,035, or 38 percent, is C-X funds. The balance is to come from the KC-135 and other mission programs.

AGENCY COMMENTS

In commenting on an initial draft of this report, the Deputy for Airlift and ASD Comptroller stated that the renovation of Building 17 is a direct support cost which should be funded with mission program funds in accordance with AFSC Regulation 172-2. Direct support costs are defined in the regulation as any support, including civilian pay, feasibly identifiable to an activity or job order when the receiving activity must pay for the goods or services received.

We question whether it is the intent of the regulation to permit facility projects such as the Building 17 renovation to be charged to mission programs. The regulation states that mission program funds are for accomplishing the overall AFSC goals of developing and acquiring weapon systems as opposed to operating and maintaining facilities. Also, the regulation states that costs which are routinely incurred and attributable primarily to the basic decision to have the research and development installation in being, such as ASD, are common support costs which should be funded on an institutional nonreimbursable basis. One of the basic missions of ASD is to develop and acquire major weapon systems. A basic requirement needed to meet this objective is adequate building space. Therefore, it seems that the renovation of buildings for this purpose should be considered common support costs and funded with acquisition and command support funds rather than mission program funds.

We were advised on August 10, 1981, by an AFSC official that ASD will now be directed to fund the entire Building 17 renovation contract with C-X funds. This reverses the decision made earlier to partially fund the renovation with mission funds and partially with acquisition and command support funds.

CONCLUSIONS

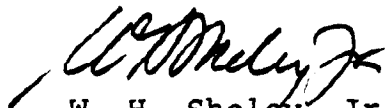
The Congress granted only limited approval for the C-X program which required the submission of a CMMS and certain certifications

by the Secretary of Defense. Although the complete CMMS was submitted in May 1981, the certifications have not yet been submitted. Nevertheless, the Air Force had allocated about \$531,000, or 36 percent, of the funds released to the C-X SPO as of July 1, 1981, for a building renovation, purchase of general-purpose computers, and a related study. Although these allocations do not violate the applicable statutory provisions of the fiscal year 1981 authorization and appropriation acts, they may have been used in a manner contrary to the intent of the limited congressional approval of the C-X program. Also, the planned use of C-X funds in this manner may be inappropriate because the costs for such general-purpose projects which are necessary for ASD to carry out its basic mission of developing and acquiring weapon systems are normally charged to acquisition and command support funds rather than mission program funds.

We would appreciate receiving an explanation from you as to whether the practice of using C-X and other mission program funds for such purposes is appropriate and whether new policies and procedures should be implemented to preclude these practices from continuing.

We would also like to receive an explanation of the rationale for funding the Building 17 renovation with both C-X mission program funds and acquisition and command support funds. (See pp. 3 and 4). Further, we would like to receive an explanation as to why it has now been decided to fund the entire Building 17 renovation contract with C-X mission program funds. (See p. 5.)

Sincerely yours,



W. H. Sheley, Jr.
Director