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REPORT TO THE HOUSE COMMITTEE
ON APPROPRIATIONS

C.B.

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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RELEASED

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Programs For Procuring
Conventional Ammunition And
Modernizing And Expanding
Ammunition Plants

Department of Defense

The Department of Defense generally had adequate justification supporting the fiscal year 1977 appropriation request for procuring conventional ammunition and modernizing and expanding ammunition plants. GAO identified deficiencies in the review process for annual support projects.

LCD-76-449

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JULY 30, 1976



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-172707

The Honorable George H. Mahon
Chairman, Committee on Appropriations
House of Representatives

HST 00300

Dear Mr. Chairman:

This report presents the results of our review of the Department of Defense's justification for procuring conventional ammunition and modernizing and expanding ammunition plants. We made our review pursuant to your request of January 8, 1976.

As your Committee staff requested, on May 4, 1976, we briefed them on the results of our review.

We discussed this report with Department of Defense and Department of the Army officials, but as your office directed, we did not obtain their formal comments.

This report contains recommendations to the Secretary of Defense which are set forth on pages 6, 12, and 16. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We will be in touch with your office in the near future to arrange for release of the report so that the requirements of section 236 can be set in motion.

Sincerely yours,

A handwritten signature in cursive script that reads "James P. Stacks".

Comptroller General
of the United States

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ABBREVIATIONS

AAP	Army Ammunition Plant
ARMCOM	Army Armament Command
COCO	contractor owned, contractor operated
DARCOM	Army Development and Readiness Command
DOD	Department of Defense
GAO	General Accounting Office
ICM	improved conventional munition
LAP	load, assemble, and pack

COMPTROLLER GENERAL'S
REPORT TO
THE COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

PROGRAMS FOR PROCURING
CONVENTIONAL AMMUNITION AND
MODERNIZING AND
EXPANDING AMMUNITION PLANTS
Department of Defense

D I G E S T

The Department of Defense's fiscal year 1977 appropriation request included approximately \$1.4 billion for procuring conventional ammunition and \$255 million for modernizing and expanding ammunition plants. (See p. 1.) The ammunition is required for training Active Forces and the Reserves and for building reserve stocks.

In February 1976 the Secretary of Defense issued new policy and planning guidance to the military services. This directed them to recompute requirements and will require changes in procurement programs in their appropriation requests. Since the services were recomputing their requirements, GAO did not determine the changes in procurement programs. Defense officials said the Congress would be given the information when necessary adjustments were identified. (See pp. 2 and 3.)

AMMUNITION HARDWARE

GAO found adequate justification supporting the Defense appropriation request for ammunition items, except that Defense was asking for \$4.2 million to buy MK-76 and MK-106 practice bombs for which it had no need. (See p. 4.)

Defense also requested \$120.2 million for three types of 30-mm. rounds for Air Force training and reserve stocks, even though it is experiencing problems with the rounds. Various procurement alternatives are available to reduce potential problems and cost increases. (See p. 5.)

The Army Audit Agency also noted this deficiency in 1973, and the Army issued a draft regulation with many sound review techniques. However, the draft has not yet been finalized. (See p. 13.)

Accordingly, the Committee should reduce the Army request by \$2 million. (See p. 16.) GAO also recommends that the guidance in the Army draft regulation be put into operation. (See p. 16.)

As the Committee directed, GAO did not request formal comments from the Department of Defense but did discuss the observations, conclusions, and recommendations in this report with officials of that Department and the military services.

CHAPTER 1

INTRODUCTION

The Department of Defense (DOD) request for \$1,655 million in fiscal year 1977 for procuring conventional ammunition was divided as follows:

	<u>Amount</u> (millions)
Ammunition hardware:	
Army	\$ 641.0
Navy (including Marine Corps)	332.4
Air Force	<u>425.9</u>
	1,399.3
Ammunition production base support	<u>255.7</u>
	<u>\$1,655.0</u>

The ammunition hardware request was for ammunition items required for training Active Forces and the Reserves and for building reserve stocks. The DOD request included over 120 different types of ammunition items ranging from various artillery, tank, mortar, and small-arms ammunition for the Army and Marines to ships' gun ammunition for the Navy and general-purpose bombs for the Air Force.

The ammunition production base program includes the following elements.

	<u>Amount</u> (millions)
Modernizing and expanding ammunition plants:	
Construction	\$ 22.0
Design and equipment	<u>170.4</u>
	192.4
Annual support of active ammunition plants (including \$2.5 million for construction)	21.4
Layaway of industrial facilities	13.0
Production-engineering measures	25.8
Other categories	<u>3.1</u>
Total	<u>\$255.7</u>

The funds requested for modernizing and expanding ammunition plants were the eighth increment of a multiyear plan which was started in fiscal year 1970.

The fiscal year 1977 appropriation request for ammunition items and ammunition production base support was based on Secretary of Defense policy and planning guidance issued in February 1975 and was formulated by the military services during the period August to October 1975. After the Office of the Secretary of Defense and the Office of Management and Budget reviewed and revised the request, it was presented to the Congress in January 1976.

In February 1976 the Secretary of Defense issued new policy and planning guidance to the military services. This guidance directed the services to change their mobilization planning criteria used as the basis for computing ammunition requirements. The changes involved supporting a longer conflict in Europe and a shorter conflict in Northeast Asia than anticipated in the previous guidance. It also reduced the number of U.S. Forces committed to a Northeast Asia conflict. These changes required that each service recompute its ammunition requirements and restructure its ammunition hardware procurement and its plans for modernizing and expanding ammunition plants.

During our review the Office of the Secretary of Defense and the military services were beginning to determine the impact of the new guidance, and they expect to complete this process by September 1976. The Office of the Secretary of Defense and military service officials told us that they expected to reprogram the fiscal year 1977 appropriation request for ammunition procurement on the basis of the new guidance; however, they did not know which items would be reprogrammed. The Army is also revising its ammunition production base requirements for 1978-82. The revised ammunition production base requirements should have little impact on the projects requested in fiscal year 1977, because most of the projects are for initial production facilities to expand the production base for new ammunition items, such as fuzes and improved conventional munitions. However, according to Army officials' preliminary analyses, the new guidance appears to restrict the long-term plant modernization and could reduce the scope of the expansion currently planned for the 1980s. They said that the Congress would be given the appropriate information when the necessary adjustments are identified.

We did not attempt to determine the necessary adjustments to the programs resulting from the change in guidance, since the services were still recomputing their requirements.

We reviewed the justification for the ammunition hardware and modernization and expansion projects on the basis of the requirements computed under the old guidance.

SCOPE OF REVIEW

We interviewed and obtained documents from officials of DOD and the military departments. We made our review at the:

Office of the Secretary of Defense
Headquarters of the:

- 2 Army 20
- 3 Navy 1
- 4 Marine Corps 98
- 5 Air force 35
- 6 Office of the Army Project Manager for Munitions Production Base Modernization and Expansion, Dover, New Jersey DLG 00956
- 7 Army Armament Command, Rock Island, Illinois, 191 and the following Army ammunition plants (AAPs):
 - 8 Indiana AAP, Charleston, Indiana DLG 00956
 - 9 Iowa AAP, Burlington, Iowa DLG 00957
 - 10 Lake City AAP, Independence, Missouri DLG 00958
 - 11 Lone Star AAP, Texarkana, Texas 262
 - 12 Louisiana AAP, Shreveport, Louisiana DLG 00959
 - 13 St. Louis AAP, St. Louis, Missouri 261
 - 14 Sunflower AAP, Lawrence, Kansas 261
- 15 Air Force Logistics Center, Ogden, Utah 262

CHAPTER 2

AMMUNITION HARDWARE

We examined DOD's and the military services' justification for proposed major ammunition procurements totaling \$1,338 million of the \$1,399 million requested for fiscal year 1977. We reviewed all line items for which funds of \$1 million or more had been requested.

We limited our review to evaluating (1) the basis for unit cost estimates, (2) the status of ammunition items in terms of producibility, (3) the availability of production capacity to produce the items, (4) the basis for anticipated training consumption and losses to inventory, and (5) the availability of onhand assets to fill the inventory objectives for U.S. Forces. We did not review and validate the military services' computations for mobilization requirements.

We found adequate justification supporting the appropriation request for ammunition items, except that DOD had requested about \$4.2 million to procure MK-76 and MK-106 practice bombs for which it had no need. We found also DOD was planning to buy a new 30-mm. ammunition even though it was having problems with the propellant.

At the Committee's request, we are making a separate review of the military services' methods and procedures for computing ammunition requirements. That review will include the changes, rationale, and impact of the Secretary of Defense's 1976 policy and planning guidance which directed the services to make changes in their criteria for determining ammunition requirements. The results of that review will be furnished to the Committee at a later date and are not included in this report.

MK-76 AND MK-106 PRACTICE BOMBS (NAVY)

The appropriation request included \$12.1 million to procure four different types of practice bombs, including the MK-76 and MK-106, for the Navy. On the basis of available assets and projected training use, we found DOD had requested funds to procure 310,000 MK-76 and 8,000 MK-106 practice bombs, estimated to cost about \$4.2 million, which were excess to the quantities required to meet its training needs. Navy officials were unable to explain why these quantities had been included in the appropriation request.

PROPELLENT PROBLEMS WITH
30-MM. AMMUNITION (AIR FORCE)

DOD requested \$120.2 million to procure three types of 30-mm. rounds for Air Force training and for reserve stocks. The request included \$21.8 million for 1,080,000 target practice training rounds, \$34.4 million for 1,376,000 high-explosive incendiary combat rounds, and \$64 million for 1,710,000 armor-piercing incendiary combat rounds. These rounds were developed for the GAU-8 gun system used on the new A-10 aircraft. The Air Force is having problems with the use of the 30-mm. rounds that may warrant revising current procurement plans for the ammunition.

When the 30-mm. rounds are fired in the GAU-8 gun, an unburned residue from the propellant accumulates on the aircraft. The residue is highly corrosive to aluminum and creates a potentially serious corrosion problem for the aircraft during its operational life. The residue accumulation reduces pilot visibility and affects aircraft thrust during gun-firing missions.

Air Force officials told us that proposals to modify the aircraft and aircraft maintenance procedures to eliminate the visibility and engine-thrust problems were being considered. They also told us that the corrosion caused by residue accumulated when firing the 30-mm. rounds was more severe than any other corrosion problems experienced on other aircraft. The increase in the life-cycle operation costs of the aircraft due to the residue is not yet known.

The modification proposed to correct the known problems associated with the residue are only temporary solutions, and the long-term solution, according to Air Force officials, appears to be to change the propellant used in the round.

Impact of new propellant
on current procurement

The Air Force has asked the Radford AAP to investigate the use of another propellant. The development and subsequent use of another propellant would require reworking the rounds in inventory and those included in the planned procurement. This could amount to well over 3 million rounds. The Air Force does not favor deferring the current 30-mm. ammunition planned procurement program because the procurement, as planned, is the most cost effective to

achieve the stockage objective over the next 5 years. Air Force officials noted that, if procurement were deferred, they could have a weapon system without ammunition to support it.

They also said that altering the present procurement program would have an impact on readiness, since the ammunition is phased to come in with the A-10 aircraft.

Alternatives available to the Air Force

We discussed with Air Force officials the following alternatives and their impact on cost and readiness.

- Defer procurement until a long-term solution is obtained. This probably would result in higher program costs in future years and would degrade readiness since the Air Force would have a weapon system and no ammunition to support it in case of emergency.
- Continue present procurement plans and rework rounds in inventory when a long-term solution is found. This would result in higher program costs in future years but would provide usable ammunition for the A-10 aircraft.
- Continue procurement of the ammunition components but defer loading, assembling, and packing all rounds except those needed in the short term for essential training and to maintain readiness. This alternative probably is the most cost effective and would provide adequate rounds in the event of an emergency.

RECOMMENDATIONS

We recommend that the Secretary of Defense direct the Secretary of the Air Force to continue procuring ammunition components but defer loading, assembling, and packing all rounds except the quantities needed for essential training and for maintaining readiness.

We also recommend that the Committee reduce the Navy's request by \$4.2 million for the MK-76 and MK-106 practice bombs.

CHAPTER 3

AMMUNITION PLANT MODERNIZATION AND EXPANSION PLANS

The Committee asked us to review the proposed projects in DOD's fiscal year 1977 appropriation request for modernizing and expanding AAPs.

We reviewed 29 modernization and expansion projects costing \$192.4 million. The projects generally were adequately planned and were based on requirements criteria in the Secretary of Defense's 1975 policy and planning guidance for the 5-year period 1977-81. The Army is revising its ammunition production base requirements computations based on DOD's 1976 policy and planning guidance for the period 1978-82.

According to Army officials, the new guidance appears to restrict the long-term ammunition plant modernization and could reduce the scope of the expansion currently planned for the 1980s. The full impact of the new guidance and revised production base requirements will not be determined until the modernization and expansion plan is revised this fall.

MODERNIZATION PLANS

The Army's modernization projects in the fiscal year 1977 request show a continuation of the types of projects in those requests of previous years. For example, the Army's plans for fiscal year 1977 projects call for

- replacing facilities for loading 105-mm. propellant charges, costing \$6.9 million (project 5772500), at the Indiana AAP;
- building a sulphuric acid recovery facility, costing \$15.6 million (project 5772541), at the Sunflower AAP; and
- completing the replacement or rehabilitation (third and last phase) of equipment estimated to cost \$14.9 million used in making shells for 105-mm. rounds (project 5772579) at National Presto Industries' contractor-owned, contractor-operated (COCO) plant in Eau Claire, Wisconsin.

We examined the Army's justifications supporting those projects and the 14 others in the fiscal year 1977 request and found all the projects adequately justified

as to need and estimated cost and considered the alternatives available to the Army. As in prior years, we did not examine the justifications supporting the \$22.4 million requested for future equipment and construction engineering and design costs. These funds are for preparing designs and cost estimates of future modernization and expansion projects. On the basis of the heavy design workload in future years, we have no reason to question this request for design funds.

EXPANSION PLANS

We also examined the Army's justifications supporting all 12 projects in the fiscal year 1977 request for expansion funds, as well as the overall phasing of the Army's planned projects to expand the production base for five new, improved conventional munitions.

The Army is in the early stages of a major production base expansion for a family of five artillery-delivered improved conventional munitions (ICMs). These new ICMs were designed and developed for use in existing 105-mm., 155-mm., and 8-inch artillery weapons. They differ considerably from the older artillery rounds which have a single projectile filled with an explosive that detonates on impact. The new rounds carry a cargo of several grenade or mine submissiles and are fuzed to eject the cargo while in the air down range, dispersing the cargo over a broad area.

The Army has made excellent progress in designing and developing the new ICM rounds. For example, to minimize the cost of the production base and simplify the use of the rounds by personnel in combat, the Army designed the new ICM rounds to use common components, as shown in the following chart.

ICM round	Major ICM Components							
	Mechanical time fuze M577	Shell			Grenade		Mine	
		105-mm. XM710	155-mm. M483	8-in. M509	M42 and M46	M67 and M72	XM70 and XM73	
155-mm. M483	X		X			X		
155-mm. M692 and M731	X		X				X	
155-mm. XM718 and XM741	X		X				X	
8-in. M509	X			X		X		
105-mm. XM710	X	X				X		

One of the Army's objectives in planning for expansion programs is to insure that the program, once it is completed, has a balanced production capability among component facilities to provide a specific number of end rounds a month. For example, a capability to produce 100,000 shells a month would be useless to the Army without the capability to load, assemble, and pack (LAP) the shells. Accordingly, the Army should insure that the capabilities are incrementally established to eliminate idle production capacity.

We reviewed the actual or planned starting and completion dates for the 23 projects being executed or planned to expand the production base for the shell, fuze, cargo, and LAP facilities required to produce complete 155-mm. M483 and 8-inch M509 end rounds. Funding of these projects began in fiscal year 1974 and is planned through fiscal year 1983. Generally the long-range Army plans will achieve the specified end-round capability; however, we found the current phasing of some projects would result in facilities' being idle for 1 to 3 years. We believe that the Army can restructure the phasing of expansion projects to eliminate the idle production capacity and achieve an incremental buildup of end-round capability, as shown in the following charts. The solid lines in the charts depict current Army expansion plans; the dotted lines indicate the desired phasing of facilities to provide a balanced production capability.

Chart 1 shows the Army's expansion plans to establish the first increment of production facilities to build complete 8-inch M509 ICM rounds. As shown, the LAP project at the Lone Star AAP will be completed about 3 years before the cargo project is completed. Since the cargo, fuze, and shell are required for LAP operations, the LAP facility will probably be idle until these projects are completed. Accordingly, the LAP project could have been deferred from fiscal year 1974 until the transition quarter and those funds could have been applied to other priorities. Also the shell project could have been deferred from fiscal year 1976 to fiscal year 1977.

CHART 1

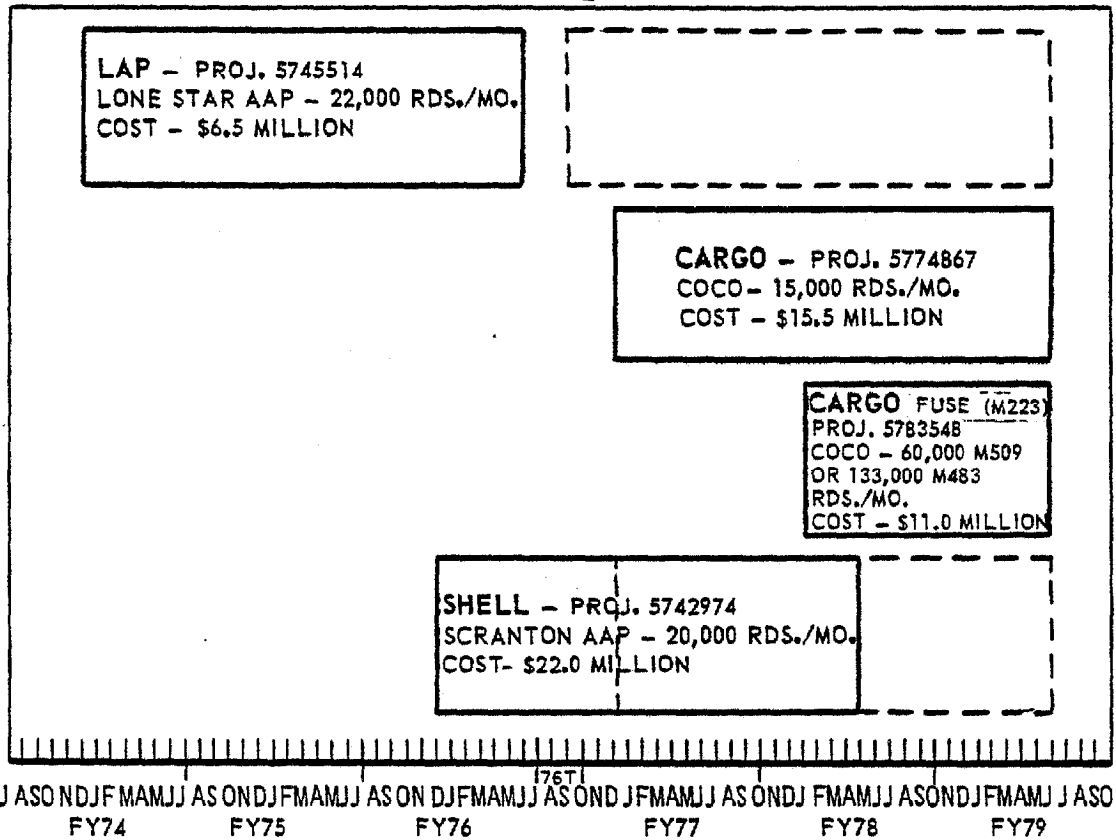
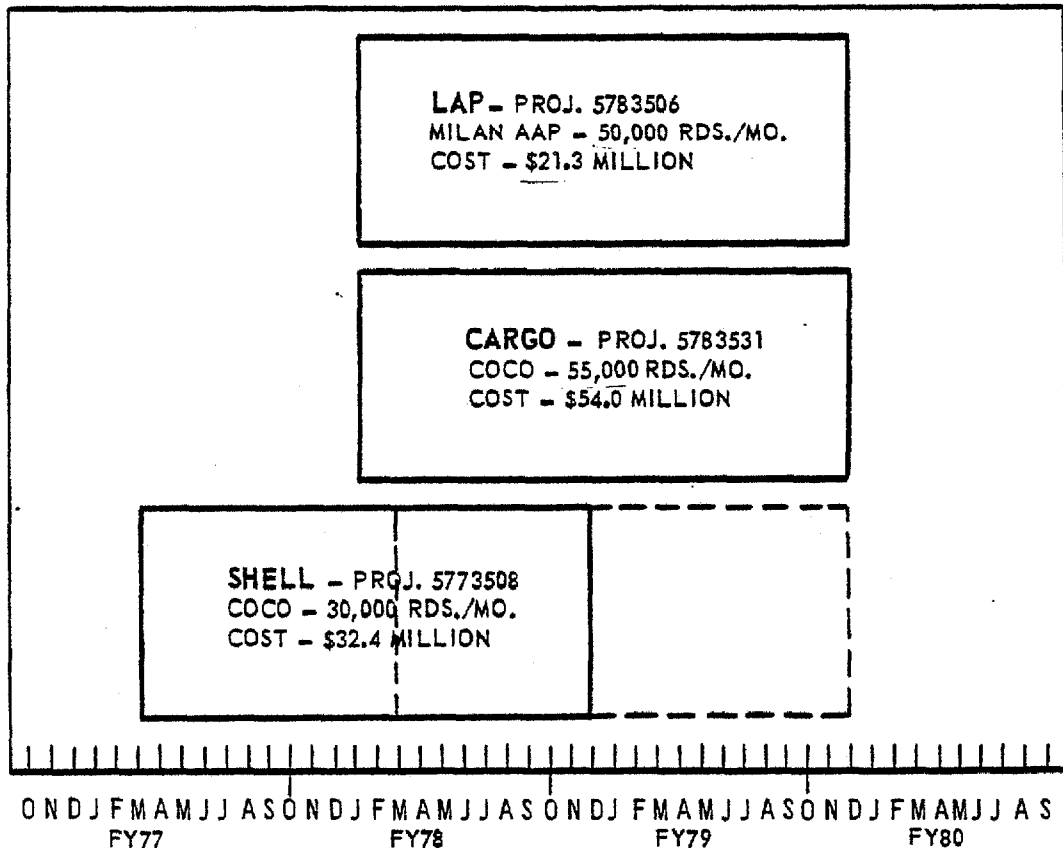


Chart 2 shows the second increment of projects to expand production facilities to build complete 8-inch M509 ICM rounds. As the chart shows, two projects, the LAP and cargo projects, will be requested in fiscal year 1978 and completed in December 1979. The shell project for which funding was requested in fiscal year 1977 will be completed 1 year before the cargo and LAP projects. Army officials told us, even though the shell project could be deferred 1 year, they would prefer to obtain fiscal year 1977 funds to allow for unforeseen slippages in carrying out of the project. We believe that the Army should defer this project costing \$32.4 million, to avoid having the shell facility idle for 12 months.

CHART 2



Army officials told us that their expansion planning was directed toward initially achieving a balanced production capability among component facilities and then increasing this capability on an incremental basis. They said that the imbalances occurred for several reasons, including fiscal constraints imposed by the Office of the Secretary of Defense, program reductions by the Office of the Secretary of Defense and the Congress, strikes and other labor disputes, and protested contract awards. They noted that the start of the 8-inch, M509-shell project (see chart 1, p. 10) had been delayed for 2 years when a competitor protested the contract award.

We agree that some factors the Army officials indicated are beyond their control and could distort the planned production capability. However, we believe that the Army could emphasize maintaining a balanced program by constantly reviewing the projects to try to be sure that the expansion projects are all started by the appropriate time. Also the Army should defer the total program if any related project is appreciably delayed. For example, when the shell project was delayed, the Army could have deferred the LAP project (see chart 1, p. 10) and could have used those funds for other priorities.

Another factor contributing to program imbalances results from the method the Army uses to present and defend its appropriation request to DOD and the Congress. The Army presents each project on an individual basis rather than establishing the interrelationship between the projects. Accordingly, the reviewers do not know the effect of a project deferment on related projects.

CONCLUSIONS

The Army has done a good job in planning the ICM expansion projects; however, it should emphasize phasing the LAP project with the projects for shell and cargo components so that they will be completed in the same time frame. We believe earlier production capability for the ICM rounds can be obtained by phasing future expansion projects in this manner.

RECOMMENDATIONS

We recommend that the Secretary of Defense emphasize maintaining a balanced production capability and, in future appropriation requests, identify the end-round production capability to be obtained with the project funds requested. The project presentation should include all elements, so that decisionmakers at all levels can see what impact a deferral could have on the other elements and on the total project.

We recommend that the Committee defer the \$32.4 million shell project until fiscal year 1978.

CHAPTER 4

ANNUAL SUPPORT PROJECTS

DOD annually requests funds for production support and equipment replacement projects. These projects are intended to cover repairing, rehabilitating, or replacing equipment at active Government-owned facilities, to sustain current production schedules and quality levels. Generally each active AAP submits one annual support project consisting of a wide variety of subprojects.

DOD's fiscal year 1977 request included annual support projects totaling about \$21.4 million for 14 AAPs and arsenals compared with projects totaling from \$31.4 million to about \$41 million during fiscal years 1970 to 1976.

We visited four AAPs--Iowa, Lake City, Lone Star, and Louisiana--to evaluate the need for selected projects. The annual support projects for these four AAPs had a total value of about \$6.8 million, or about 35 percent of the total program for fiscal year 1977.

On the basis of our observations at the four AAPs, the dollar amount of valid annual support projects needed at these AAPs was about \$2 million less than the \$6.8 million approved. For the most part reductions were appropriate because production requirements planned for fiscal year 1977 did not justify a need for the approved projects.

In a 1973 review of the production base support program, the Army Audit Agency also concluded that annual support projects were being incompletely conceived and inadequately supported. In a report, dated May 31, 1973, the Army Audit Agency pointed out that two of the major causes were inadequate evaluation of the need for projects and premature approval of projects.

DEFICIENT REVIEW PROCESS

In response to guidance from Headquarters, Department of the Army, projects are conceived and initiated by the AAPs' operating contractors and reviewed by the Army's AAP resident staffs. Overprogramming by the AAPs is anticipated, to allow for deletions by higher level reviews and to provide for lower priority projects should additional funds become available. Over a 3-year period preceding the program year, three submissions--prebudget, budget, and apportionment--from AAPs are required.

Before the prebudget submission, personnel from Headquarters, Army Armament Command (ARMCOM), organize and participate in onsite AAP reviews, to evaluate the need, technical adequacy, and format of project submissions. Although ARMCOM officials consider this segment of the review process to be the most critical, production requirements for the program year are still uncertain at that time. Later, limited revisions are made to annual support projects as they progress through the budget and apportionment phases, but there is a tendency to retain the prebudget projects as approved, even though production requirements or other conditions may change greatly.

At each of the three phases (i.e., prebudget, budget, and apportionment), annual support submissions from the AAPs are disseminated for review to 20 offices within Headquarters, ARMCOM. These offices represent various areas of technical expertise, such as security, environment, and safety. The annual support requests are also submitted for review to resident staffs from the Army Development and Readiness Command (DARCOM) at Rock Island.

After comments are received from these various offices, a production base review board--consisting of representatives from throughout ARMCOM--reviews the annual support projects. This board meets twice annually for about a week, first, to review prebudget and budget submissions, and secondly, to review apportionment submissions. After each production base review board meeting, approved projects are submitted to Headquarters, DARCOM, and to the Department of the Army.

The reviews at DARCOM and the Army generally are not thorough, since ARMCOM is considered to be the primary focal point for reviewing annual support projects. We were told that these higher headquarters' reviews resulted in minimum changes to projects.

Despite the fact that over 20 offices within Headquarters, ARMCOM, and DARCOM resident staffs have an opportunity to review and comment on annual support project submissions, these reviews do not screen out questionable projects. The judgments of personnel who review annual support projects in the prebudget phase probably are influenced by the fact that production requirements for the program year are uncertain. In addition, many ARMCOM personnel said that the time provided to review annual support projects, in all three phases, was too short or that not enough information was received from the plants to permit adequate desk reviews. Several reviews are concerned solely with less substantive matters, such as the format of the requests.

Despite the limitations on their reviews, the offices within ARMCOM which review annual support projects do question the justification for some projects. For example, one office questioned a proposed building rehabilitation project on the basis that it might have been more economical to construct new buildings. We found that if such a question was resolved, the resolution often was not made a matter of written record.

The questionable lack in effectiveness of the Army's approval processes for annual support projects was indicated by the results of our review of selected projects approved for fiscal year 1977.

For example:

- A building at the Iowa AAP was scheduled for rehabilitation at an estimated cost of about \$184,000 to produce an ammunition end round for which production requirements no longer existed.
- Six loaders for producing detonators at the Lone Star AAP were planned for procurement at a cost of about \$915,000, even though the number of similar loaders already installed was more than adequate to meet fiscal year 1977 production needs.
- 26 storage buildings at the Louisiana AAP were scheduled to be rehabilitated at an average cost of over \$31,000, even though the buildings were not fully used and were in reasonably good condition.

A complete list of projects we questioned is included as the appendix.

ARMCOM officials concurred with our observations of the Iowa AAP's annual support program and reduced it by \$285,000. Although ARMCOM officials did not agree with all of our observations at the three other AAPs, they were unable to provide factual justification supporting the need for the projects we questioned. We therefore concluded that reductions should be made.

We did not select projects included in the fiscal year 1977 annual support request at random; therefore, we cannot accurately estimate the total amount of unsupportable projects included in the fiscal year 1977 program. If the same pattern were to exist throughout the program as we found existed in the selected projects (constituting about 35 percent of the program), the fiscal year 1977 program would include

about \$5.8 million, out of a total program of about \$21.4 million, for unnecessary or highly questionable projects.

Since the Army Audit Agency's earlier review, ARMCOM has issued a draft regulation that is to be used in reviewing annual support projects. We believe it provides many sound techniques for reviewing projects. However, as of May 1976--almost 3 years after the Army Audit Agency's earlier report--this regulation had not been formalized. We did not find any explanation for the delay.

CONCLUSIONS

The Army's process for reviewing and approving the annual support budget for its AAPs needs to be improved. This is clearly evidenced by the fact that the fiscal year 1977 budget included at least \$2 million--and possibly as much as \$5.8 million--for questionable or unnecessary projects. These projects were not deleted from the annual support budget, despite numerous levels of review within the Army, because:

- The reviews were not as thorough as they should have been.
- Followup reviews were not made after the prebudget phase, and as a result, the projects were not adjusted to current circumstances.

Because the draft regulation, prepared by ARMCOM as a result of the Army Audit Agency review, has not been finalized, ARMCOM's review techniques remain incomplete.

RECOMMENDATIONS

We recommend that the Committee reduce the Army request by at least \$2 million for the annual support projects shown in the appendix.

We also recommend that the Secretary of Defense direct the Secretary of the Army to implement the guidance in ARMCOM's draft regulation as a means of providing an approach to the review process that will be adequate to the extent that it will preclude premature approval of annual support projects.

FISCAL YEAR 1977 ANNUAL SUPPORT PROJECTS GAO QUESTIONED

<u>Subproject</u>	<u>Total amount</u>	<u>Suggested reduction</u>	<u>Reason for reduction</u>
Iowa AAP:			
Carbon columns for pollution control	\$ 422,000	\$ 84,000	Incorrect pricing data was used in preparing cost estimate.
Rehabilitation of building to produce one end round	184,000	184,000	Fiscal year 1977 production requirements for end round which was to have been produced were canceled.
Six tractors used for plant maintenance	17,000	14,000	Only one tractor met age criteria for replacement.
Telephone-pole wagon	3,000	3,000	Although old, the item to be replaced was used infrequently, was in good condition, and required little maintenance.
Other subprojects	<u>1,274,000</u>	<u>-</u>	
Total	<u>1,900,000</u>	<u>285,000</u>	

<u>Subproject</u>	<u>Total amount</u>	<u>Suggested reduction</u>	<u>Reason for reduction</u>
Lone Star AAP:			
Strapper and sealers	\$ 27,000	\$ 13,000	Production requirements for fiscal year 1977 decreased.
Loaders, used to produce various detonators	915,000	915,000	Production requirements for fiscal year 1977 decreased.
Other plant equipment, such as pumps, drill presses, and motors	139,000	50,000	Production requirements for fiscal year 1977 decreased.
Administrative support equipment, such as typewriters, steel cabinets, and chairs	169,000	147,000	Production requirements for fiscal year 1977 decreased.
Installation of weatherstats in 109 process buildings	173,000	63,000	Production requirements for fiscal year 1977 decreased-- at least 40 buildings were to be laid away.
Other subprojects	<u>133,000</u>	<u> </u>	
Total	<u>1,556,000</u>	<u>1,188,000</u>	

<u>Subproject</u>	<u>Total amount</u>	<u>Suggested reduction</u>	<u>Reason for reduction</u>
Lousiana AAP:			
Rehabilitation of 26 storage buildings	\$ 817,000	\$ 467,000	Total storage space available far exceeded storage space needed to meet fiscal year 1977 production requirements. Also some aspects of rehabilitation were unnecessary.
Other subprojects	<u>683,000</u>	<u>-</u>	
Total	<u>1,500,000</u>	<u>467,000</u>	
Lake City AAP:			
Administrative support equipment such as a copy machine, typewriters, and calculators	121,000	60,000	Items were available from other Army sites.
Other subprojects	<u>1,729,000</u>	<u>-</u>	
Total	<u>1,850,000</u>	<u>60,000</u>	
Total	<u>\$6,806,000</u>	<u>\$2,000,000</u>	