



UNITED STATES GENERAL ACCOUNTING OFFICE  
 WASHINGTON, D C 20548

26647

NATIONAL SECURITY AND  
 INTERNATIONAL AFFAIRS DIVISION

B-206570

September 30, 1983

The Honorable Joseph P. Addabbo  
 Chairman, Subcommittee on Defense  
 Committee on Appropriations  
 House of Representatives

Dear Mr. Chairman:

Subject: Analysis of Fiscal Year 1984 Budget Requests  
 for Approved Multiyear Procurements  
 (GAO/NSIAD-83-57)

This report is in response to your January 23, 1983, request and deals with whether the funds requested by the Department of Defense in the fiscal year 1984 budget to initiate or continue multiyear contracts approved in fiscal years 1982 and 1983 are consistent with the proposed or negotiated contract prices.

An examination of the fiscal year 1984 budget request for nine multiyear programs showed that the budget request exceeded the negotiated or proposed contract amounts by \$197.2 million for four programs, as shown below.

<u>Program</u>	<u>Amount</u> (millions)
F-16 aircraft	\$150.3
KC-10A aircraft	17.8
Black Hawk Helicopter	
airframe	8.0
engines	16.7
MK-46 Torpedo	<u>4.4</u>
Total	<u>\$197.2</u>

(942258)

027010  
 122688

Service program office officials stated that the differences resulted from management reserves, contract changes, and/or inflation being a part of the budget amount, but not the contract amount. In accordance with discussions with your office, we did not evaluate the reasons for the differences or whether all the budgeted funds were needed for the program. The budget request for the remaining programs (NAVSTAR Global Positioning System, TRC 170 Radio, Defense Meteorological Satellite Program, C-2A Aircraft, and Multiple Launch Rocket System) did not exceed the negotiated or proposed contract amounts.

We have enclosed details of our analysis for the KC-10A and Black Hawk helicopter (airframe) programs. Similar summaries for the F-16, MK-46, and Black Hawk helicopter (engine) programs are being furnished under separate cover since they contain proprietary or negotiation sensitive data. Release of this data may be prohibited by 18 U.S.C. 1905. We have also analyzed the program cost when the fiscal year 1984 budget request exceeded the latest estimate.

This audit was conducted in accordance with generally accepted government auditing standards, except for the Multiple Launch Rocket System. For that system, Army program office officials stated the proposal exceeded budget amounts but refused us access to proposal data on the basis it was negotiation sensitive. The accuracy of this data can be verified at the conclusion of negotiations if the Committee desires.

As you instructed, we did not obtain official agency comments on the matters discussed in this report. We did, however, discuss with agency officials those instances where the budgeted amounts exceeded contract amounts. Further, as arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until hearings are held or you otherwise release the information. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Frank C. Conahan  
Director

Enclosures - 2

KC-10A AIRCRAFT

The KC-10A aircraft acquisition program is an Air Force fiscal year 1983 multiyear procurement. On December 9, 1982, McDonnell Douglas Corporation was awarded a \$2,785.1 million 5-year firm fixed price contract (subject to economic price adjustments) for 44 aircraft. The Air Force currently estimates the KC-10A program will cost about \$3,373.3 million.

The following schedule compares the contract budget request to the contract award.

	<u>Fiscal years</u>	
	<u>1983</u>	<u>1984</u>
Multyear contract:		
	----- (millions) -----	
Appropriations/ Budget request	\$867 0	\$728 9
Contract award	<u>866.5</u>	<u>711 1</u>
Difference	<u>\$ .5</u>	<u>\$ 17 8</u>
Units	8	8

A KC-10A program analyst said the \$17.8 million difference occurred because the Air Force and the contractors used different methods to compute inflation. The Air Force believes the above differences will be needed to cover future economic price adjustments.

BLACK HAWK HELICOPTER - AIRFRAME

The Black Hawk helicopter acquisition program is an Army fiscal year 1982 multiyear procurement. On April 12, 1982, Sikorsky Aircraft Division of United Technologies Corporation was awarded a 3-year, \$950 million firm fixed price contract for airframes. According to program officials, the contract has had 61 modifications, with a net increase of about \$41 million. These modifications are not considered in our analysis. The following schedule compares the Black Hawk airframe budget request to the contract cost.

	<u>Fiscal years</u>		
	<u>1982</u>	<u>1983</u>	<u>1984</u>
Multiyear contract:	----(millions)----		
Appropriations/ Budget request	\$291 1	\$319 5	\$295 0
Contract award	<u>289 3</u>	<u>312.0</u>	<u>287 0</u>
Difference	<u>\$ 1 8</u>	<u>\$ 7 5</u>	<u>\$ 8 0</u>
Units	96	96	84

Program budget officials stated that the \$17.3 million difference for the airframe is caused by the budget request containing contingency funds for economic and business base fluctuations which are not included in the original contract price. The contract is adjusted for these items before it is closed out.