

United States General Accounting Office

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Briefing Report to Congressional Requesters

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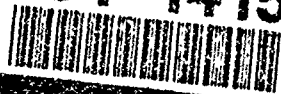
September 1991

# 1992 NAVY BUDGET

## Potential Reductions in Weapons Procurement Programs



91-14156



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National Security and  
International Affairs Division

B-245258

September 25, 1991

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

As requested, we reviewed the Navy's justification for its fiscal years 1992-1993 weapons procurement budget request and prior year appropriations to identify areas for potential reductions and rescissions. We briefed your staff in May 1991 on the preliminary results of our analysis. Specifically, we found potential reductions for the following seven weapon and ordnance systems: Standard Missile, Standard Missile Modification, Aerial Targets, Drones and Decoys, Sparrow Missile Modification, MK-15 Phalanx Close-in Weapons System (CIWS), and MK-15 CIWS Modification. (See app. I.)

Although no potential reductions or rescissions are involved, we also reviewed the Vertical Launched Antisubmarine Rocket and the Phoenix Missile Modifications to report on programmatic issues. (See app. II.) In addition, we identified, for potential rescission, funds that were no longer needed for purposes specified in the selected weapons procurement programs. (See app. III.) We identified \$153.9 million in potential reductions to the fiscal year 1992 budget request and \$406.2 million in potential rescissions from appropriated funds for fiscal years 1990 and 1991. (See table 1.)

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**Table 1: Potential Reductions and Rescissions to Navy Weapons Procurement Programs.**

Dollars in millions				
Program	Fiscal year			Total
	1992	1991	1990	
Standard Missile	\$118.6	\$306.0	\$0	\$424.6
Standard Missile Modification	0	6.8	0	6.8
Aerial Targets	0	17.0	0	17.0
Drones and Decoys	0	0	8.6	8.6
Sparrow Missile Modification	35.3	30.0	0	65.3
MK-15 Phalanx CIWS	0	24.8	0	24.8
MK-15 CIWS Modification	0	13.0	0	13.0
<b>Total</b>	<b>\$153.9</b>	<b>\$397.6</b>	<b>\$8.6</b>	<b>\$560.1</b>

We also identified for potential rescission \$86.4 million in fiscal year 1989 funds and, for potential reduction, \$3.3 million in fiscal year 1992 funds for the Vertical Launched Anti-Submarine Rocket; and a potential rescission of \$60.0 million in 1991 funds for the Phoenix Missile Modifications program withheld due to programmatic issues. (See app. II.)

In addition, we identified \$166.2 million in potential rescissions from fiscal years 1989-1991 funds that was either being held pending a program review decision or was no longer needed for the purposes specified in the selected weapons procurement activities. (See app. III.) These funds are being held in reserve by the Offices of the Secretary of Defense (OSD) and Navy Comptrollers.

## Scope and Methodology

We conducted our work at the Office of the Secretary of Defense; Headquarters, Department of the Navy; and program offices in the Washington, D.C. area, where we interviewed budget and program officials and reviewed pertinent program documents and budget support data.

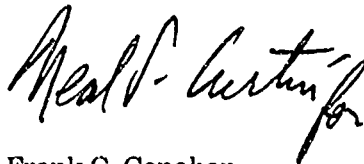
We analyzed data relating to actual contract costs, requirements, contract delays, and program status. In some cases, we relied on the information supplied by program officials. We did not conduct a detailed review of each program's requirements.

We performed our review from February 1991 to July 1991 in accordance with generally accepted government auditing standards.

We did not obtain written agency comments on this report. We did, however, discuss the contents of this report with responsible officials from OSD and the Navy and have incorporated their comments where appropriate. The officials generally agreed with the factual material presented in this report.

We are sending copies of this report to the Secretaries of Defense and the Navy. Copies will also be made available to other interested parties.

This report was prepared under the direction of Martin M Ferber, Director, Navy Issues, who may be reached on (202) 275-6504 if you or your staff have any questions. Major contributors to this report are listed in appendix IV.



Frank C. Conahan  
Assistant Comptroller General



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**Abbreviations**

CIWS	Close-In Weapons System
ECP	Engineering Change Proposal
GAO	General Accounting Office
ITALD	Improved Tactical Air Launched Decoy
MHIP	Missile Homing Improvement Program
OSD	Office of the Secretary of Defense
RAM	Rolling Airframe Missile
SM	Standard Missile
TALD	Tactical Air Launched Decoy
VLA	Vertical Launch Antisubmarine

# Potential Reductions and Rescissions to Navy Weapons Procurement Programs

We reviewed the Weapons Procurement, Navy budget for fiscal years 1992, 1991, 1990, and 1989. We identified potential reductions and rescissions of \$560.1 million: reductions of \$153.9 million from the fiscal year 1992 budget request and rescissions of \$397.6 million and \$8.6 million in appropriated funds for fiscal years 1991 and 1990, respectively. We did not find potential rescissions for fiscal year 1989. The following sections briefly describe the weapons programs we reviewed and the results of our analysis.

## Standard Missile

The Standard Missile (SM) is a family of medium and extended range surface-to-air missiles designed to protect the Navy fleet by intercepting antiship missiles and enemy aircraft in the outer battle area. It is the primary air defense missile employed on the Aegis and Tartar/Terrier New Threat Upgrade weapon systems. Over the years, overall performance has continually been improved through a number of related changes grouped into a unit or block, such as the SM-2 block III Aegis, Tartar, and Terrier variants. The SM-2 evolved from incorporating various design improvements in the SM-1.

## Results of Analysis

The fiscal years 1991 through 1993 requests provide for procurement of missiles for Aegis and Tartar ships. The fiscal years 1992 and 1993 requests are also to fund SM-2 block IV procurement and SM-2 block IIIB procurement, which incorporates the Missile Homing Improvement Program (MHIP) technology.

The Office of the Secretary of Defense (OSD) Comptroller is withholding \$189.8 million in fiscal year 1991 procurement funds until July 1992, pending successful testing and full production approval for the block IV variant. As of July 1991, an additional \$331.8 million in 1991 funds was unobligated and uncommitted. A total of about \$521.6 million in fiscal year 1991 funds is therefore unobligated and uncommitted.

Navy officials expect to obligate \$180.0 million for block III hardware and \$36.0 million for annualized production support by September 1991. The Navy therefore expects to obligate about \$216.0 million of the \$521.6 million in unobligated and uncommitted fiscal year 1991 funds for block III by the end of fiscal year 1991. Navy officials stated that they plan to obligate the remaining fiscal year 1991 funds, about \$306.0 million, for block IV hardware in fiscal year 1992.

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According to Navy Comptroller officials, the deferred \$189.8 million could be used to procure additional block III variants, instead of the block IV variant, to maintain a dual-source production line. The officials also stated that this is one of several options that might be pursued, given that the fiscal year 1991 award will not take place until fiscal year 1992. In January 1991, we reported that according to OSD officials, the SM improvement program that incorporates block III and IV variants and promotes dual-source procurement may no longer appear cost-effective.<sup>1</sup>

The Navy is buying the same missile types in 1992 as it did in 1991. Navy officials stated that the fiscal year 1992 funding for the SM improvement program is dependent on execution of fiscal year 1991 contracts. They further stated that if a contract or contract option is not executed in 1991, money will not be available to execute the option in 1992. The fiscal year 1992 program therefore depends on options to 1991 contracts, which will not be signed before September 1991.

Navy Comptroller officials stated that if the \$189.8 million is rescinded, an additional \$161.0 million will be required in fiscal year 1992 to both exercise a competitively negotiated block IV pilot option and execute the fiscal year 1992 block III procurement. They also stated that maintaining the block III production line is essential to ensuring the viability of a dual-source acquisition strategy.

We believe that the need to maintain a dual-source acquisition strategy appears overstated because (1) OSD officials are concerned that dual-source procurement may no longer appear cost-effective and (2) a Navy Comptroller official has stated that maintaining dual-source production by procuring additional block III variants is only one of several fiscal year 1992 options. The Navy Comptroller official said that the Navy could use the fiscal year 1992 funds for other options if the fiscal year 1991 award is delayed to fiscal year 1992. We also question the Navy Comptroller official's concern that the rescission of the \$189.8 million will increase contract costs, since the \$189.8 million is deferred and not available to the program and both fiscal year 1991 and 1992 program funds could be subject to reprogramming. The balance of the fiscal year 1991 program budget (\$306.0 million), which includes the \$189.8 million withheld by the OSD Comptroller, will not be obligated before late fiscal year 1992. Given the schedule for full production approval in July 1992,

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<sup>1</sup>Navy Budget - Potential Reductions in Weapons Procurement (GAO/NSIAD-91-22BR, Jan. 18, 1991).

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obligation of the fiscal year 1992 program funds (\$424.6 million) is questionable. The Subcommittee therefore may wish to

- rescind the \$306.0 million from the fiscal year 1991 program and appropriate these funds in fiscal year 1992, and
- reduce the \$424.6 million identified for the fiscal year 1992 program and provide these funds in fiscal year 1993.

This rescission and reduction would result in a \$306.0 million savings in fiscal year 1991 funds and a \$118.6 million savings in fiscal year 1992 funds which would result from the difference between the \$424.6 million budget request and the \$306.0 million appropriation.

### Status of Unobligated Funds

Table I.1 shows the funds requested for fiscal year 1992 and the status of funds appropriated but not yet obligated during fiscal years 1989-1991, for the Standard Missile program.

Table I.1: Standard Missile's Fiscal Year 1992 Budget Request and Fiscal Years 1991, 1990, and 1989 Unobligated Funds (As of July 15, 1991)

	Fiscal year			
	1992	1991	1990	1989
Procurement	\$415.3	\$607.6	\$390.2	\$590.6
Amount obligated	0	(82.6)	(378.0)	(575.9)
Spares				
Initial	9.3	6.0	4.4	2.0
Replenishment	0	0.8	7.9	5.6
Amount obligated	0		(11.6)	(7.6)
<b>Total</b>	<b>\$424.6</b>	<b>\$531.8</b>	<b>\$12.9</b>	<b>\$14.7</b>

<sup>a</sup>less than 0.1

### Standard Missile Modification

The Standard Missile Modification Program provides for improvements in operational readiness and electronic countermeasures performance in the standard missiles currently deployed. The fiscal years 1990, 1991, 1992, and 1993 programs provide for (1) updating the inventory of motors (DTRM MK-56) by reducing the population of motors with known resonant burn problems, (2) incorporating guidance and ordinance improvements in missiles in inventory, and (3) providing terminal homing improvements.

**Results of Analysis**

As of July 1991, no funds have been obligated for the fiscal year 1991 program, only \$1.7 million of the \$8.7 million fiscal year 1990 program has been obligated; and \$2.8 million of the \$15.4 million fiscal year 1991 program funds are being reprogrammed to help pay close-out costs for another program, the Rolling Airframe Missile (RAM).

Program office officials stated that they expected to obligate the balance of the fiscal year 1990 program funds in late fiscal year 1991. They also expect to obligate the 1991 program funds in September 1991, with the exception of the MK-56 Rocket Motor modification program funds, which would be obligated in August 1991.

Of the three programs in the fiscal year 1991 Standard Missile Modification line, only the \$6.8 million Low Altitude Improvement SM-2 program is dependent upon the award of standard missile hardware contracts. Should the fiscal year 1991 Standard Missile contracts not be awarded, the Subcommittee may wish to rescind the \$6.8 million in fiscal year 1991 funds and provide these funds in fiscal year 1992.

**Status of Unobligated Funds**

Table I.2 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the Standard Missile Modification program.

Table I.2: Standard Missile Modification's Fiscal Year 1992 Budget Request and Fiscal Years 1991, 1990, and 1989 Unobligated Funds (As of July 15, 1991)

	Fiscal year			
	1992	1991	1990	1989
Procurement	\$26.4	\$15.4	\$8.7	\$20.6
Amount obligated	0	0	(1.7)	(20.6)
<b>Total</b>	<b>\$26.4</b>	<b>\$15.4</b>	<b>\$7.0</b>	<b>0</b>

**Aerial Targets**

Aerial targets provide the representative threats needed to properly evaluate weapons systems and provide for an effective fleet training program, such as surface-to-air and air-to-air missile and gunnery exercises. This discussion, however, also involves a related program, the Improved Tactical Air Launched Decoy (ITALD). The ITALD program would retrofit or forward fit improved flight control and propulsion hardware to the Tactical Air Launched Decoy (TALD), as discussed under "Drones and Decoys".

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Results of Analysis

In fiscal year 1991, \$149.4 million was appropriated for aerial targets. Currently, \$17.0 million of these funds is being withheld from the program by the Navy Comptroller, pending approval of program requirements for the ITALD. These funds were incorrectly included in the Aerial Targets budget line. Program and Navy Comptroller officials stated that the error was not significant from a programming standpoint and that the funds can still be obligated in the Drones and Decoys line for ITALD procurement.

The \$17 million will be used in fiscal years 1992 and 1993 to partially fund a future modification option of an engineering change proposal and to fully fund a retrofit option for ITALD upgrades. Program officials stated that of the \$17.0 million, \$7.3 million is to be obligated in August 1992 for Option I, Future Modifications, and \$9.7 million is to be obligated in August 1993 for Option II, Retrofit. There are no plans to obligate any of the \$17.0 million in fiscal year 1991.

The Subcommittee, therefore, may wish to rescind the \$17.0 million in fiscal year 1991 appropriations for aerial targets and provide \$7.3 million in the fiscal year 1992 appropriation and \$9.7 million in the fiscal year 1993 appropriation for drones and decoys.

Status of Unobligated Funds

Table I.3 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the Aerial Targets program.

Table I.3: Aerial Targets' Fiscal Year 1992 Budget Request and Fiscal Years 1991, 1990, and 1989 Unobligated Funds (As of July 15, 1991)

	Fiscal year			
	1992	1991	1990	1989
Procurement	\$172.8	\$149.4	\$125.9	\$108.2
Amount obligated	0	(86.4)	(121.8)	(107.3)
Spares				
Initial	1.3	2.1	1.4	0.7
Amount obligated	0	(0.1)	(1.4)	(0.7)
<b>Total</b>	<b>\$174.1</b>	<b>\$65.0</b>	<b>\$4.1</b>	<b>\$0.9</b>

Drones and Decoys

The Navy has a program to improve the ADM-141 Tactical Air Launched Decoy (TALD). TALD is an expendable unmanned aircraft of similar size to a 500-pound general purpose bomb. After launch from

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strike aircraft it simulates manned aircraft. Its mission is to deceive and saturate hostile radar controlled air defenses, thus enhancing strike aircraft survivability. The new program, known as the Improved Tactical Air Launched Decoy (ITALD), will add improved flight control and propulsion hardware.

The ITALD program plans to forward fit about 50 TALD decoys for test and evaluation in fiscal year 1993 and 126 fleet units in fiscal year 1994. Approximately 110 fleet TALD units will be similarly upgraded in fiscal year 1995.

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Results of Analysis

Funding for drones and decoys since fiscal year 1989 had been used for annual procurement of TALD units. The \$25.0 million fiscal year 1990 appropriation to the Drones and Decoys budget line for the TALD program is being withheld by Navy and OSD Comptrollers, pending approval of an acquisition plan.

The \$25.0 million will be used to partially fund an engineering change proposal and an option providing for future installation of ITALD upgrades. The Navy Comptroller, Naval Air Systems Command Comptroller, and the Director, Unmanned Aerial Vehicles Program Office are currently developing a coordinated acquisition plan for the ITALD. The plan provides for \$16.4 million of the fiscal year 1990 program to be obligated in August 1991 and \$8.6 million to be obligated in August 1992.

The ITALD program was also funded for fiscal year 1991 to retrofit approximately 110 TALDs with propulsion hardware. This program, however, was incorrectly funded in the Aerial Targets line for \$17.0 million (See Aerial Targets in the previous section). Due to the close proximity of the August 1992 planned obligation date of the \$8.6 million to the September 1992 expiration date of the fiscal year 1990 appropriations, the Subcommittee may wish to rescind the \$8.6 million in the fiscal year 1990 appropriation and provide it in the fiscal year 1992 appropriation.

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Status of Unobligated  
Funds

Table I.4 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the Drones and Decoys program.

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Table I.4: Drones and Decoy's Fiscal Year 1992 Budget Request and Fiscal Years 1991, 1990, and 1989 Unobligated Funds (As of July 15, 1991)

Dollars in millions				
	Fiscal year			
	1992	1991	1990	1989
Procurement	\$0	\$0	\$25.0	\$40.4
Amount Obligated	0	0	0	(40.4)
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25.0</b>	<b>\$0</b>

## Sparrow Missile Modification

The Sparrow Modification Program provides the Navy with upgraded air-to-air (AIM-7) and surface-to-air (RIM-7) missiles capable of intercepting extremely low flying antiship missiles. The fiscal year 1990 and 1991 programs procure improved, low altitude fuzes for retrofit into an inventory of sparrow surface-to-air missiles.

The fiscal years 1992 and 1993 requests procure the Missile Homing Improvement Program (MHIP) retrofit for both air- and surface-launched versions. The MHIP program provides a dual seeker enhancement to enable intercept in a sophisticated electronic counter countermeasures environment. The MHIP upgrade will be incorporated into an inventory of AIM and RIM-7M/P missiles.

## Results of Analysis

Navy Comptroller officials stated that the AIM and RIM-7 MHIP will not begin until fiscal year 1992 due to a 1-year slip in the MHIP program. The fiscal year 1991 funds, therefore, are excess to fiscal year 1991 program requirements. The Navy Comptroller, therefore, proposes to reprogram the \$30.009 million fiscal year 1991 program funds to help offset closeout costs for the Rolling Airframe Missile (RAM) program. None of the fiscal year 1991 funds have been obligated. Navy Comptroller officials also stated that the fiscal year 1992 program will not be affected by the fiscal year 1991 program slippage.

The Sparrow Modification Program officials stated, however, that with the emergence of the AIM/RIM-7R (7R) program in fiscal year 1988, a plan was established to convert AIM/RIM-7P (7P) missiles to the AIM/RIM-7R configuration at the end of their initial 3 year in-service cycle. Because of the limited time the 7P would be in the fleet, plans were made to combine 7P/7R support equipment modifications since a 7R tester will also support the 7P configuration. As of July 1990, the fiscal year 1992 Navy Comptroller budget contained \$ 6.363 million in fiscal

year 1991, \$1.404 million in fiscal year 1992, and \$ 6.8 million in fiscal year 1993 for peculiar support equipment for the AIM/RIM-7P/R.

Subsequent discussion between program and Navy Comptroller officials determined an approximate \$20 million deficiency associated with peculiar support equipment for the AIM/RIM-7P/R. Approval was granted for an additional \$20 million and the fiscal year 1992-1993 President's budget, dated January 1991, reflects this change. Even though the 7R schedule has slipped, the 7P support equipment functions are currently needed as part of the 7R support equipment upgrade. Because of the slip, the 7P will need to be supported in the fleet longer than planned.

Program officials further stated that the Sparrow Missile Modification Program encompasses the modification of existing AIM/RIM-7M fleet assets into 7P and 7R missiles. As the baseline for 7R development, the AIM/RIM-7P kit is part of the AIM/RIM-7R configuration. Therefore, the officials feel that every dollar spent on 7P kits prior to 7R procurement will be a direct savings when 7R is procured.

The fiscal year 1992-1993 President's budget, dated January 1991, provides for \$17.998 million in support equipment for the AIM/RIM-7R MHP in fiscal year 1992. The fiscal year 1991 7R support equipment procurement schedule has slipped to fiscal year 1992, and accordingly, the Subcommittee may wish to fund the fiscal year 1992 procurement program in fiscal year 1993. The \$17.998 in support equipment, however, could remain funded in fiscal year 1992 to facilitate the 7P/R upgrade, while the remaining \$35.3 million could be reduced from the fiscal year 1992 request and provided in fiscal year 1993.

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**Status of Unobligated  
Funds**

Table I.5 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the Sparrow Missile Modification Program.

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**Table I.5: Sparrow Missile Modification's  
 Fiscal Year 1992 Budget Request and  
 Fiscal Years 1991, 1990, and 1989  
 Unobligated Funds (As of July 15, 1991)**

Dollars in millions	Fiscal year			
	1992	1991	1990	1989
Procurement	\$53.3	\$30.0	\$34.2	\$40.1
Amount obligated	0	0	(27.6)	(39.0)
Spares				
Initial	0	0.2	0.3	0
Amount obligated	0	(0.2)	(0.3)	0
<b>Total</b>	<b>\$53.3</b>	<b>\$30.0</b>	<b>\$6.6</b>	<b>\$1.1</b>

**MK-15 Phalanx Close-  
 In-Weapons System  
 (CIWS)**

The MK-15 CIWS is designed as a fast reaction, terminal defense against low flying aircraft and antiship missiles penetrating outer fleet defensive systems. The system is an automatic, self-contained unit consisting of search and track radar, a digital fire control system, and a 20mm M61A1 gun, which automatically detects, evaluates, tracks, engages, assesses kill on low flying aircraft and anti-ship missiles, and returns to the search mode. The system will be installed in over 300 ships, both new construction and retrofit.

**Results of Analysis**

Due to a reduction in the number of systems to be procured, the Navy reduced the fiscal year 1991 program value by \$18.218 million, from \$61.958 million to \$43.740 million. Of the \$18.218 million, \$9.418 million was transferred to the Small Arms and Weapons budget line.

The OSD Comptroller is withholding \$24.755 million to fund (1) obligations for equipment installation (\$9.455 million), (2) reprogramming to the Ship Construction and Conversion account for prior year cost growth (\$3.800 million), and (3) reprogramming to the Other Procurement, Navy procurement budget account to fund installation costs (\$11.500 million).

If the proposed obligations for equipment reprogrammings are not approved, the Subcommittee may wish to rescind the \$24.755 million withheld by the OSD Comptroller.

**Status of Unobligated  
 Funds**

Table I.6 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the MK-15 CIWS Program.

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Table I.6: MK-15 CIWS's Fiscal Year 1992 Budget Request and Fiscal Years 1991, 1990, and 1989 Unobligated Funds (As of July 15, 1991)

	Fiscal year			
	1992	1991	1990	1989
Procurement	\$0.5	\$43.7	\$49.8	\$18.9
Amount obligated	0	(25.2)	(37.3)	(18.4)
Spares				
Initial	0	0.5	0	0
Amount obligated	0	0	0	0
<b>Total</b>	<b>\$0.5</b>	<b>\$19.0</b>	<b>\$12.5</b>	<b>\$0.5</b>

**MK-15 Close-In-Weapon System (CIWS) Modifications**

These modifications are to backfit existing block O systems to the current block I baseline and provides upgrades to the maintenance trainers. The block I upgrade includes an increase in search elevation angle and a 50-percent increase in on-mount ammunition capacity and rate of fire, as well as reliability and maintainability improvements.

**Results of Analysis**

Due to a reduction in the number of systems to be procured, the Navy reduced the fiscal year 1991 program value from \$81.292 million to \$61.772 million. Therefore, the difference of \$19.520 million became excess to fiscal year 1991 requirements. The OSD Comptroller, however, is withholding \$18.332 million to fund (1) a reprogramming to the Shipbuilding and Conversion Account for prior year cost growth (\$12.956 million) and (2) the balance of current year installation costs withheld, pending a requirement for obligation (\$5.376 million).

Program and Navy Comptroller officials stated that the \$12.956 million is not required for fiscal year 1991 program requirements. The \$5.376 million would not all be obligated before fiscal year 1992, but there is a requirement that installation costs be obligated in the same fiscal year as procurement, even if the installation is after the expiration date of the funds.

If this reprogramming is not approved, the Subcommittee may wish to rescind up to \$12.956 million in fiscal year 1991 funds, depending on the obligation status of the \$5.376 million in current year installation costs.

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Status of Unobligated  
 Funds

Table I.7 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the CIWS Modification Program.

Table I.7: CIWS Modification's Fiscal Year 1992 Budget Request and Fiscal Years 1991, 1990, and 1989 Unobligated Funds (As of July 15, 1991)

	Dollars in millions			
	Fiscal year			
	1992	1991	1990	1989
Procurement	\$57.0	\$61.8	\$64.9	\$54.3
Amount obligated	0	(27.0)	(42.9)	(54.2)
Spares				
Initial	3.3	0	0.7	1.0
Amount obligated	0	0	(0.7)	(1.0)
<b>Total</b>	<b>\$60.3</b>	<b>\$34.8</b>	<b>\$22.0</b>	<b>\$0.1</b>

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## Other Program Issues

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We reviewed other Navy Weapons Procurement systems where no identifiable reductions or rescissions were involved, but where funds were withheld and significant programmatic issues are present. The following section gives a brief description of the weapon systems we reviewed and the results of our analysis.

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### Vertical Launched Antisubmarine Rocket

The Vertical Launch Antisubmarine (VLA) Rocket is an antisubmarine warfare missile launched from surface combatant ships such as the DD-963 or CG-47, which are equipped with the vertical launch system. The missile is powered by a solid propellant rocket motor and delivers a MK-46 Mod-5 torpedo as its payload. It is designed to provide an intermediate range, all weather, quick reaction antisubmarine warfare capability to the ships that carry it.

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### Results of Analysis

No procurement funding was requested or received for the VLA program in fiscal years 1990 and 1991, but \$3.0 million in fiscal year 1990 research, development, test, and evaluation funding was provided to complete the VLA (MK-46 variant) development and test program. In funding the VLA procurement program, Congress appropriated \$39.1 million in fiscal year 1987 and \$104.4 million in fiscal year 1989, or a total of \$143.5 million, to procure 300 missiles.

The \$39.1 million in fiscal year 1987 funds was obligated to procure long lead time material requirements. The OSD Comptroller is currently withholding \$86.4 million in fiscal year 1989 funds pending a decision to continue the program. These funds will expire September 30, 1991, if the program does not continue and the funds are not obligated before then. The decision to continue the program depends upon the results of four tests conducted in May 1991 and the results of the antisubmarine warfare standoff weapon study, which should be available by late summer 1991.

An operational evaluation conducted in 1990 was not successful; additional testing was recommended. Subsequently, improvements to the missile assembly procedures solved the problems. In May 1991, another test was conducted in which all four missiles in the test were launched successfully and landed close to the intended water entry point. Follow on test and evaluation will consume another 30 of the 300 missiles in the program.

Program officials expect a decision by OSD and Navy acquisition officials to approve the program and release the \$86.4 million withheld by the OSD Comptroller in late fiscal year 1991. These funds can be obligated as soon as they are released to procure no less than 265 missiles to complete the program. These 265 missiles will include the follow-on test and evaluation requirement.

Navy Comptroller officials stated that if the program is not approved the \$3.3 million in fiscal year 1992 funds will not be required to support the missiles.

Status of Unobligated Funds

Table II.1 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the VLA program.

Table II.1: VLA's Fiscal Year 1992 Budget Request and Fiscal Years 1991, 1990, and 1989 Unobligated Funds (As of July 15, 1991)

	Dollars in millions			
	Fiscal year			
	1992	1991	1990	1989
Procurement	\$3.3	\$0	\$0	\$104.4
Amount obligated	0	0	0	(17.5)
Spares				
Initial	0	2.3	0	4.9
Amount obligated	0	(0.1)	0	(4.9)
<b>Total</b>	<b>\$3.3</b>	<b>\$2.2</b>	<b>\$0</b>	<b>\$86.9</b>

Phoenix Missile Modification

The Phoenix is one of the Navy's air-to-air or air-intercept missiles (AIM). The fiscal year 1991 improvement modification provides an expanded reprogrammable memory into the guidance section. The fuze upgrade increases the missile's reliability and producibility by consolidating fuze components. The fiscal year 1992 and 1993 programs provide for expanded reprogrammable memory and composite fuze improvements to the current AIM-54C missiles in inventory.

Results of Analysis

The fiscal year 1991 improvement modification was funded for \$3.8 million. In addition, Congress added \$60.0 million for procurement of 150 missiles. The fiscal year 1992 and 1993 programs are budgeted for \$12.2 million and \$17.4 million, respectively.

The OSD Comptroller is currently withholding the \$60 million in fiscal year 1991 funds, provided by Congress, as a proposed rescission because it is only a portion of the funds necessary for the program. An OSD Comptroller official stated that these funds were not to be released until the Navy fully funds or agrees to fully fund the program. Also, the next generation of Phoenix missile is being developed; therefore, the modifications may not be necessary.

In June 1991, OSD stated that its position for withholding these funds was that an acquisition plan for the upgraded missiles has not yet been developed. While the modifications have been developed, the number of missiles that could be modified for \$60 million represents only 5 percent of the Phoenix AIM-54C inventory. This would create two configurations, requiring additional test equipment upgrades in order to perform maintenance on the missiles. Before procurement with fiscal year 1991 funds proceeds, a decision must be made about whether the modifications are necessary and whether Defense should incorporate this modification into the existing inventory. The current estimate of \$710 million to modify 1,800 additional missiles is difficult to accommodate, given the limited resources. For this reason, there is no request for additional funding in the fiscal year 1992-1993 President's budget.

Navy Comptroller officials stated that the \$60 million was added to the Weapons Procurement, Navy, account by Congress and that it is no longer being held by the Navy as a rescission source. They also stated that there is no fiscal year 1992 request for additional guidance section modifications.

Navy program officials stated that the Phoenix modifications will give the missile significant additional capability. The modification is necessary because the next generation missile is not scheduled to be in the fleet until about the year 2000. The \$60 million would fund the modification of about 110 to 120 missiles. Congress has directed the Navy to procure 150 missiles with the modifications. These missiles, however, would be only a small portion of those in inventory.

Navy program officials further stated that development of the modification is complete. Procurement is all that is necessary. If the funds were released, they could be obligated in September 1991. The program office expects to obligate the balance of its 1991 program, \$3.8 million, in September 1991. This is an aggressive schedule, but the program manager feels it can be accomplished prior to the end of the fiscal year.

Appendix II  
Other Program Issues

Status of Unobligated  
Funds

Table II.2 shows the funds requested for fiscal year 1992 and the status of funds appropriated, but not yet obligated during fiscal years 1989-1991, for the Phoenix Missile Modification Program.

Table II.2: Phoenix Missile Modification's  
Fiscal Year 1992 Budget Request and  
Fiscal Years 1991, 1990, and 1989  
Unobligated Funds (As of July 15, 1991)

	Fiscal year			
	1992	1991	1990	1989
Procurement	\$12.2	\$63.8	\$0	\$0
Amount obligated	0	0	0	0
<b>Total</b>	<b>\$12.2</b>	<b>\$63.8</b>	<b>\$0</b>	<b>\$0</b>

# Additional Weapons Procurement, Navy, Funds Available for Potential Rescissions (As of July 12, 1991)

Dollars in millions

Fiscal year 1991 program activity	OSD	Navy	OSD/Navy explanatory notes
Trident II reprogramming	\$36.40	\$0	Pending for treaty implementation
Trident II Advance Procurement	15.90	0	Pending reprogramming to Shipbuilding and Conversion, Navy
MK-48 Advanced Capability Torpedo	2.00	0	
MK-50 Advanced Lightweight Torpedo	0	1.90	Contract savings
Other Missile Support	0	4.58	Pending successful standard missile modification milestone decision
5"/54 Gun Mount Modifications	6.07		Pending installation cost obligation (\$2.97) and reprogramming to Shipbuilding and Conversion, Navy, for cost growth (\$3.10)
<b>Subtotal</b>	<b>\$60.37</b>	<b>\$6.48</b>	
Fiscal year 1990 program activity			
Maverick Missile	\$4.58	\$0	Contract savings reprogram to Harpoon Program
Sea Lance	1.80	0	Excess to program requirements
Spares	12.80	0	Pending reprogramming to Shipbuilding and Conversion, Navy, for cost growth
<b>Subtotal</b>	<b>\$19.18</b>	<b>\$0</b>	

**Appendix III  
 Additional Weapons Procurement, Navy,  
 Funds Available for Potential Rescissions (As  
 of July 12, 1991)**

<b>Fiscal year 1989 program activity</b>	<b>OSD</b>	<b>Navy</b>
Tomahawk Missile	\$0	\$3.10 Reprogramming sources for Rolling Air Frame Missile (RAM) closeout costs
Standard Missile		0.06
MK-48 Advanced Capability Torpedo	0	0.90
MK-50 Advanced Lightweight Torpedo		1.00
Trident II		1.00
Sparrow Missile	2.60	0 Proposed rescission
Tacit Rainbow	40.60	5.90 Transferred for Hurricane Hugo relief
Ordnance Support	25.00	0
<b>Subtotal</b>	<b>\$68.20</b>	<b>\$11.96</b>
<b>Total, fiscal years</b>	<b>\$147.75</b>	<b>\$18.44</b>

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