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**TRANSPARENCY OF ARMY EXPENDITURES
FISCAL YEAR 1999**

BY

COLONEL BRANIMIR FURLAN
General Staff of Slovenian Armed Forces

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USAWC STRATEGY RESEARCH PAPER

TRANSPARENCY OF ARMY EXPENDITURES - FISCAL YEAR 1999

by

COLONEL BRANIMIR FURLAN
General Staff of Slovenian Armed Forces

Professor Harold W. Lord
Project Adviser

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U.S. Army War College
CARLISLE BARRACKS, PENNSYLVANIA 17013

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ABSTRACT

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The main goal of this research is to assess the transparency of military spending through the analysis of Army spending in Fiscal Year 1999. The analysis offers answers on the following questions: How the National Command Authority (NCA), the Congress, and U.S. citizens acquire information on the effectiveness of military performance? Were the national security objectives achieved? Were assigned missions and tasks accomplished? How efficiently was the money spent?

The subject of this research is the Planning, Programming, and Budgeting System (PPBS), and budget execution. The transparency and effectiveness of military spending is assessed through the quantitative and qualitative analysis of required budget execution reports.

The analysis shows that although the reporting system is not completely established, it provides basic information to the NCA and the Congress about the quality of military performance in implementing the military strategy, however, there is a lack of a direct relationship between expenditures and results, and a need for more cost-effective approach. A direct link-up between the budget execution reporting system and the PPBS process is recommended.

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TRANSPARENCY OF ARMY EXPENDITURES - FISCAL YEAR 1999

Every year the U.S. dedicates approximately \$275 Billion or 15% of the federal budget for defense purposes. This represents 3% of GDP. These resources are intended for maintaining the military power directed by the National Security Strategy, and defined in the Quadrennial Defense Review and the National Military Strategy.

How effective is military performance, and how efficiently is the money spent? Those are questions certainly in minds of people, whose interests are directly connected to defense spending; the President, who directs and uses military power, the Secretary of Defense, who defines the defense strategy, the Congress, which appropriates and authorizes military spending, and finally the U.S. citizen, who pays taxes.

The main goal of this research is to assess the transparency of military spending through an analysis of Army spending in Fiscal Year 1999. The analysis should give answers to the following questions: How the National Command Authority, the Congress, and U.S. citizens acquire information on effectiveness of military performance? Were the national security objectives achieved? Were assigned missions and tasks accomplished? How efficiently was the money spent?

The subject of this research is the Planning, Programming, and Budgeting System, including budget execution. The transparency and effectiveness of military spending is assessed through a quantitative and qualitative analysis of required budget execution reports.

PLANNING, PROGRAMMING, AND BUDGETING SYSTEM

The Planning, Programming, and Budgeting System (PPBS) is the primary resource management process in the Department of Defense (DOD). "The ultimate objective of the PPBS is to provide the operational commanders-in-chief (CINCs) the best mix of forces, equipment, and support, attainable within fiscal constraints,"¹ for execution of their missions. The purpose of

the PPBS is to produce a plan, a program, and finally a budget for DOD, which will provide required resources for implementation of policies, priorities, and strategies derived from National Security Strategy (NSS) objectives.

“The PPBS ties strategy, program, and budget all together. It helps build a comprehensive plan in which budget flows from programs, programs from requirements, requirements from missions, and missions from national security objectives”.²

Basic documents which direct the execution of the PPBS are DOD PPBS Directive 7045.14, DOD Instruction 7045.7, and CJCS Instruction 3100.01A. The DOD Directive and Instruction define the purpose, objectives, policy, procedures, and responsibilities for the PPBS implementation. The CJCS Instruction provides policy and guidance for the implementation of the Joint Strategic Planning System (JSPS)³. The JSPS is a flexible system intended to interact with other DOD systems, and to provide supporting military advice to the DOD Planning, Programming, and Budgeting System.⁴

PPBS PROCESS

The PPBS is cyclic process containing three interrelated phases: Planning, Programming, and Budgeting. It's a two year process, and involves all levels of the military command structure. The final goal is developing the budget, which is forward to the President for approval, and then to Congress for appropriation and authorization. The Budget is developed for two years in even years, and updated in succeeding odd fiscal years. A schedule of events in the PPBS process is developed by the Executive Secretary to the Defense Resources Board (DRB), and is issued annually.

In the planning phase, the military role and posture of the U.S. is examined and compared with national security objectives. The focus in this phase is on defining the national military strategy, planning the balanced military forces to accomplish that strategy, providing the framework to manage DOD resources consistent with national resource limitations, and providing decision options to SECDEF in order to help him assess the role of national defense in the formulation of national security policy.

In the programming phase, the DOD components (Services, Agencies, Unified and Specified Commands) develop proposed programs consistent with the policy, strategy, resources, and fiscal guidance defined in the planning guidance. These programs reflect analysis of missions and objectives to be achieved, alternative methods for their accomplishment, and an allocation of resources. After the programs are submitted, the CJCS provides the SECDEF a risk assessment, based on the capability of forces, and support programs for the U.S. Armed Forces to execute military strategy. In light of the CJCS risk assessment, the programs are analyzed, and the SECDEF, also considering other factors, makes decisions on developed issues.

The budgeting phase begins with the development of detailed budget estimates for the budget year (or years). In this phase DOD components estimate required financial resources for the accomplishment of approved programs. OSD and the Office of Management and Budget (OMB)⁵ jointly review the budget estimates, and formulate inputs for inclusion into SECDEF decision documents. These estimates are approved or revised by the SECDEF in budget decision documents, and are assembled into a proposed budget submitted to the President. After finalization of the budget in the White House, the budget is submitted to Congress for appropriation and authorization.

The appropriation and authorization processes compose the justification process within the budgeting phase. After the President submits the budget to Congress, the Senate Armed Services Committee (SASC) and House Armed Services Committee (HASC) conduct authorization hearings for the various programs. In these hearings the SECDEF, DEPSECDEF, CJCS, Service Secretaries, and Service Chiefs of Staff, present and defend the budget. Concurrently budget requests go before the House and Senate Appropriation Committees. Various subcommittees take on the defense requests, and when they finish their work, reports are brought before the full committees. When the review is completed, the Senate and House vote on bills. Differences between the Senate and House versions are resolved in joint conference. The budget justification process is finished when the President signs the authorization and appropriation bills for the coming fiscal year.⁶ Enacted into law, appropriations provide the legal authority to incur obligations and make payments.

The centerpiece of the execution phase is the annual apportionment of budget funds. For this purpose each DOD component submits its apportionment request. Funds are subsequently obligated and expended in accordance with apportionment guidance.

BUDGET EXECUTION OVERSIGHT

During execution the SECDEF performs an execution review, which includes the discussion of objectives, progress, issues, and problems of selected high priority programs. Likewise a periodic review of major programs and plans is performed by Heads of DOD Components. They assess progress and identify resource requirements changes. All funds changes are made in accordance with established reprogramming procedures, and approved by the SECDEF. While the budget execution is progressing, Defense Resource Board considers DOD component's appeals of Defense Comptroller decisions, prepares recommendations to the President, and provides guidance and recommendations for program cancellation or reduction to meet fiscal guidance.

Periodic summary status reports are provided to the President, Congress and SECDEF by OSD, OMB and DOD Components. Status is formulated in terms of total obligation authorities (TOA), budget authority, outlays and other data, which provide for monitoring of budget execution.

Congressional concerns on budget execution are expressed in Defense Authorization and Appropriation Acts. They require DOD components and the SECDEF to promulgate a series of reports to the Congress regarding program execution and expenditures. The Under Secretary of Defense (Comptroller) is the focal point for all reporting requirements. He assigns report preparation responsibilities to appropriate DOD components, and prepares a monthly status report.⁷ The SECDEF performance review is an integral element of this process. According to the DOD Reorganization Act of 1986 the SECDEF submits to the Congress and the President an annual report on military performance for the past fiscal year.

According to DOD Directive 5545.2 the Under Secretaries of Defense, CJCS, Secretaries of Military Departments and Directors of Defense Agencies separately review Authorization and Appropriation acts, identify requirements and submit required reports. Reports should be submitted not later than two weeks before the date they are due to be submitted to the SECDEF or the Congress⁸.

In order to meet Congressional requirements DOD components establish internal and/or interagency procedures in accordance with DOD Directive 8910.1-M. They also periodically review those requirements and recommend their termination if they no longer serve their intended purpose, no Congressional use is evident, information to the Congress is available from other sources, or they outweigh the perceived benefits⁹. In order to unify reporting policy and procedures within all DOD components, the Under Secretary of Defense (Comptroller) issued a financial management regulation¹⁰ which implements DOD Instruction 7000.14, "DOD Financial Management Policy and Procedures".

The Service Secretaries acquire information on budget execution through different forms. The Army for example uses two instruments: Quarterly Army Performance Review (QAPR), which compares program performance with objectives set at the beginning of the FY, and the Army Strategic Management Plan (ASMP), which assesses how the Army meets objectives set by SECDEF guidance and the Army Vision. During the year of execution the SECARMY chairs quarterly meetings to review execution of selected programs.

Quarterly Army Performance Review (QAPR) is an Army's prescribed mechanism for following and assessing budget execution. In the QAPR the Army fulfills requirements defined in the Government Performance and Results Act of 1993, the National Performance Review, the Government Management Reform Act of 1994, and other acts. QAPR is a direct answer on Secretary of Army requirements stated in the Army Regulation 1-1. The Assistant Secretary of the Army for Financial Management and Comptroller is responsible for establishing, directing, and operating the QAPR.¹¹ He defines the reporting structure. Each principal selects the performance measures he or she believes to be most important for the Secretary of Army. In addition, SECARMY defines some specific reporting requirements.

DOD pays special attention to the execution of contingency operations and associated costs for two main reasons. First, contingency operations are a direct military implementation of national policy, very visible and 'attractive' to the Congress and public media. Second, in most cases they are not predictable and estimated costs can't be planned in advance. Since the PPBS process is program oriented, the budget structure is not completely suitable for planning of these expenses. In order to provide funding and information concerning spending for contingency operations "the DOD policy requires that controls, accounting system, and procedures provide a proper identification and recording of costs in financial records incurred in

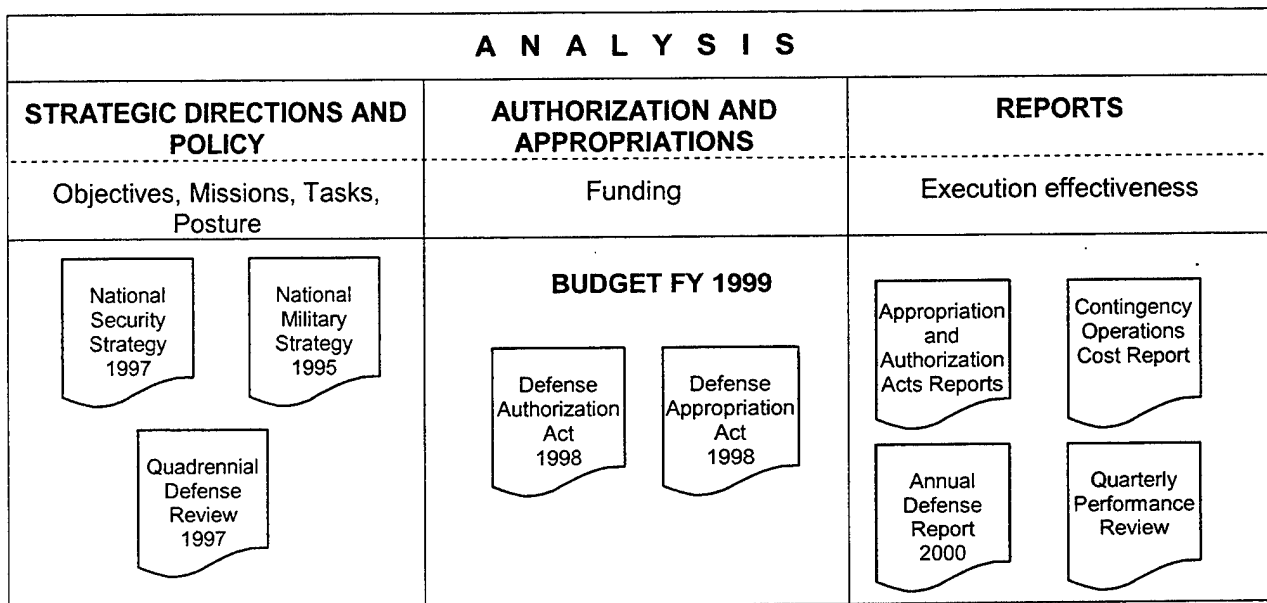
supporting contingency operations.¹² Defense Finance and Accounting Service (DFAS) is responsible for administering centralized consolidation, billing and reimbursement distribution functions in support of contingency operations and issuing to reporting activities the necessary reporting and coding instructions, transmission links, points of contact, and other related information necessary to ensure accurate and timely reporting of costs.”¹³

Finally, CINCs are responsible for the implementation of the NMS in their designated areas. They develop Theatre Engagement Plans (TEP). TEPs define their strategies and concepts in implementing national security goals. From the cost-effectiveness perspective, there is no clear evidence that CINCs are required to report on TEP execution. Although the CJCS Manual 3113.01A requires some reports on TEP execution, no specific guidance and forms are defined. Some elements of reporting are included in the TEP format and contents.¹⁴

FISCAL YEAR 1999 ANALYSIS

The subject of this analysis are the main documents which define national policy and objectives, formulate the Army missions and tasks, define its posture and readiness, and provide resources (INPUTS), and other documents which represent a feedback information about spending of those resources in achieving assigned missions (OUPUTS). The transparency and effectiveness of military spending is assessed through the analysis of required reports of budget execution.

FIGURE 1. ANALYSIS APPROACH



**Were the objectives achieved?
 Were the missions and tasks accomplished?
 How effective had the money been spent?**

INPUTS

Strategic directions and objectives

The National Security Strategy (NSS) sets three core objectives: to enhance American Security with effective diplomacy and military forces that are ready to fight and win, to bolster America's economic prosperity, and to promote democracy abroad. In implementing the strategy the

President determined six strategic priorities. Strengthening the military and diplomatic tools necessary to meet recognized future challenges is one of those priorities. Maintaining superior military forces, able to respond to challenges short of war, and in concert with regional friends and allies, to win two overlapping major theatre wars, is the main objective in order to enhance national security.¹⁵

The Quadrennial Defense Review Report defines the defense strategy, identifies required military capabilities, and defines programs and policies. Repeating main directions from the NSS for the 'Shape-Respond-Prepare Strategy' it emphasizes quality of people, ready forces, and superior organization, doctrine and technology. Special attention is dedicated to implementing Joint Vision 2010 and new operational concepts. Information superiority, dominant maneuver, precision engagement, full-dimensional protection and focused logistics are main elements of future defense capabilities.

According to the National Military Strategy (NMS), the national military objectives are to promote peace and stability and, when necessary, to defeat the adversary. The NMS describes four strategic concepts which govern the use of armed forces: strategic agility, overseas presence, power projection, and decisive force.¹⁶ The primary purpose of the U.S. Armed Forces is to deter threats of organized violence against the United States and its interests, and to defeat such threats should deterrence fail.¹⁷ The NMS repeats the military objectives from the NSS and describes ways and means to achieve them (Shape-Prepare-Respond Strategy).

Missions and tasks

Missions and tasks derived from the NSS, QDR and NMS are:

- ◇ shape the international environment and promote regional stability,
- ◇ deter aggression and coercion,
- ◇ prevent and reduce conflicts and threats,
- ◇ respond to the full spectrum of crises if necessary, and
- ◇ fight and win two major wars simultaneously.

Military tasks:

- ◇ maintain strong and ready Army,
- ◇ maintain forward stationing,
- ◇ continue with defense cooperation, security assistance, training and exercises with allies and friends, information sharing, participation in arms control and other programs...,
- ◇ be able to form and lead effective coalitions,
- ◇ be able to rapidly project and concentrate military power worldwide,
- ◇ be able to achieve war aims against an adversary which uses NBC weapons, information warfare, terrorism or other asymmetric means,
- ◇ maintain capabilities to protect homeland, forces and critical infrastructure from the full range of threats,
- ◇ maintain multi-mission capability for limited strikes, sanction enforcement operations, peace and humanitarian operations, non-combatant evacuation, counter-drug and counter-terrorist operations, information operations, and countering WMD,
- ◇ retain interoperability with other Services, allies and potential coalition partners,
- ◇ transform the armed forces following Joint Vision 2010 (advanced concepts, doctrine and organization),
- ◇ restructure the Army Reserve (conversion of some CS units to CSS roles),
- ◇ manage OPTEMPO, deployment and personnel transfer to avoid adverse effects on military personnel and their families,
- ◇ accelerate Force XXI modernization plan (enhanced battlefield awareness through information technology),
- ◇ prepare for the future (develop Service vision 2010, invest in science and technology, test new concepts and capabilities),
- ◇ provide challenging career options, professional development, medical care, housing, adequate compensation, and stable retirement system, and
- ◇ support civilian initiatives in preventing or reducing conflicts.

The Appropriation Act doesn't assign specific tasks to the Army except those for the execution of a required number of 'Year 2000' simulated exercises.¹⁸ Contrarily, the Authorization Act, though intended for the authorization of programs, assigns several tasks to the military. Some examples (SEC. 373, 903, 1066 and 1222):

- ◇ establish a comprehensive readiness reporting system, NLT January 15, 2000,
- ◇ establish a task force of the Defense Science Board to examine current DOD organization,
- ◇ plan, prepare and conduct the program of joint warfighting experimentation,
- ◇ investigate circumstances which led to grounding of 174th Fighter Wing, Dec 1, 1995, and
- ◇ assess tactical and operational capabilities of new NATO members.

Army posture

The QDR and NMS define the following Army capabilities:

- ◇ 4 active corps (6 heavy, 2 light-infantry, 1 airborne, 1 air-assault divisions, 2 armored cavalry regiments),
- ◇ 8 ARNG divisions, and
- ◇ 15 ARNG separate brigades.

The QDR directs the reduction of personnel: 15,000 active duty, 45,000 reserve and 33,700 civilians. Transformation objectives are expected to be attained by the end of 2003; the QDR didn't directly address specific goals for FY1999. The Authorization Act permits 1,045,226 total strength of army personnel by the end of FY1999¹⁹.

The NMS guides the Army readiness to the state, "sufficient to meet demanding deployment requirements while seeking sensible management practices that conserve resources and mitigate the potential negative effects of high operational and personnel tempos."²⁰

The Congress expressed concerns about future role and capabilities of the U.S. Armed Forces in the Authorization Act. It tasked DOD to review and modify policies and doctrines, conduct experiments and tests, and develop or adapt required procedures.²¹ It directed the improvement of military capabilities through the authorization of modernization programs (Longbow Hellfire Missile, Medium Tactical Vehicle, M1 Abrams Tank modification), and required establishment of a comprehensive readiness reporting system for DOD, which shall measure the capability of armed forces to carry out objectives and missions prescribed by NSS, QDR and NMS.²²

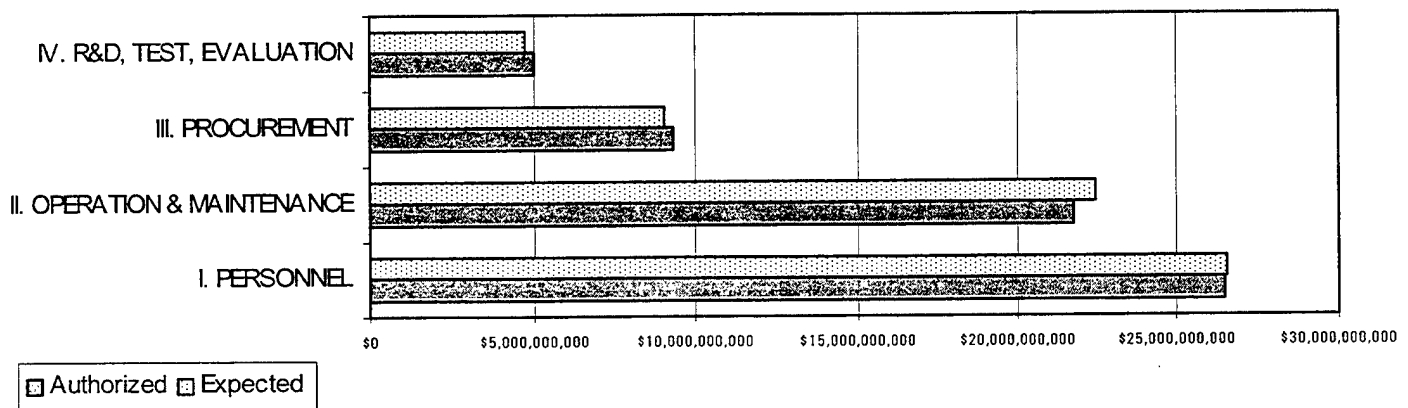
ARMY FY1999 BUDGET

Army resources for the execution of plans and programs in 1999 were determined by the Military Construction Appropriation Act and Department of Defense Appropriation Act for Fiscal Year 1999, enacted by the Congress on 17 October 1998 (Military Construction Appropriation Act was not a subject of this research).

The total Army Budget was \$62,624,248,000 or 24,9% of Defense Budget (military construction, and base realignment and closure not included). It has to be recognized that the stated budget doesn't represent an exact amount of financial resources for FY1999, because some funds remain available after the end of current FY (procurement, research and development). The Authorization and Appropriation acts, though very detailed and comprehensive documents²³, don't give the answer on overall authorized spending in FY1999.

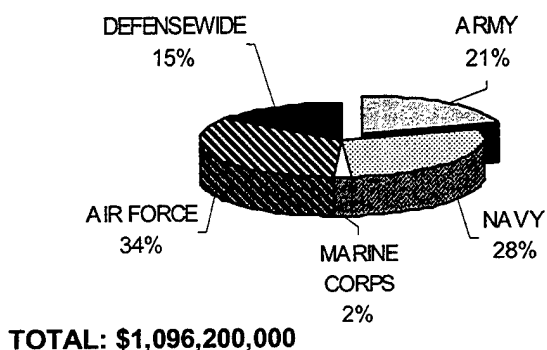
The Appropriation Act provides provisions and limitations on specific spending with the emphasis on international obligations (UN, NATO, bilateral agreements), protection of domestic production, military transfers by sale or grant, specific operations (counter-drug, peacekeeping), and real-estate matters. In some cases guidance is extremely detailed, and expressed the very narrow focus of Congressional concerns.²⁴

FIGURE 2. ARMY BUDGET STRUCTURE



In order to reflect savings, the Congress in sections 8108, 8134, 8135 and 8136 of the Appropriation Act reduced the originally authorized Defense Budget by \$1,096,200,000 or 0.43% of total \$251,516,340,999 (military construction not included). The Army funds were reduced by \$225,700,000 or 0.36%. The Congress proportionally reduced the budget for all Services and the share of Defense Budget between Services remained the same. Savings were derived from revised economic assumptions, favorable foreign currency fluctuations, and reduced prices of bulk fuel. In total the Army budget was 0.4% lower than expected by the Department of Army.²⁵

FIGURE 3. CONGRESSIONAL SAVINGS STRUCTURE



The Defense Authorization Act authorizes appropriations for FY1999. It establishes tight Congressional control over defense expenditures. The 395 [!] pages set prescribed directions and constraints for military, and defense related spending. It is a guide for FY1999 not only for DOD but also for Department of Energy, and Department of Transportation. The commissioner of Customs and Secretary of Commerce can find their role and obligations there too. Congressional budget concerns are expressed in a very detailed way and in many cases don't permit independent decisions or freedom of action for DOD components.²⁶

The Authorization Act directs the execution of military programs and activities with the emphasis on modernization programs, readiness, warfare capabilities, quality of life, health care, professional development of military personnel, preparedness of defense system for year 2000, relations with Russia and China, proliferation of WMD, and the U.S. nuclear stockpiles. It is savings-oriented and requires DOD conduct several cost-effectiveness analysis and surveys on

the execution of different programs in order to reduce expenditures. Besides, it tasks the SECDEF to notify the Congress before approving expenditures of selected programs.

Although the Authorization Act is intended to authorize programs, it is an impression that the Congress uses it sometimes for exercising authorities not apparently granted by the Constitution. This is evident in those sections where the Congress directs domestic (economic) and foreign policy, sets objectives of some military programs and directly influences the conduct of military operations.²⁷ Moreover, the Congress uses it for defining elements which are usually prescribed by military regulation and related documents.²⁸ Finally, through the Authorization Act the Congress publishes statements which are not directly connected to appropriated funds, however they express concerns or attitudes regarding national policy²⁹. In conclusion, the Authorization Act is more than pure authorization of programs. It comprises also elements of national domestic and foreign policy, elements of military regulations, and it prescribes military objectives and tasks.

OUTPUTS

Reporting requirements

The Congress and the President receive Budget execution information through the Annual Report and number of specific reports required by Appropriation and Authorization Acts. The Authorization and Appropriation Acts for FY1999 require 132 reports from DOD.³⁰ Most reports (96 or 72.7%) are the direct responsibility of the SECDEF. The Comptroller shares reporting responsibilities with 15 or 11.4% of all reports. It is interesting that Comptroller is required several times to review SECDEF's reports or plans, and sends reports on those reviews directly to the Congress, which implies his relatively independent status within the DOD.

Required reports cover almost all areas of military spending, however the Congress focuses its attention on modernization programs, military capabilities, quality of life, effectiveness of military missions, foreign relations (Russia, China, NATO), preparedness for year 2000 and nuclear capabilities.

FIGURE 4. REQUIRED REPORTS

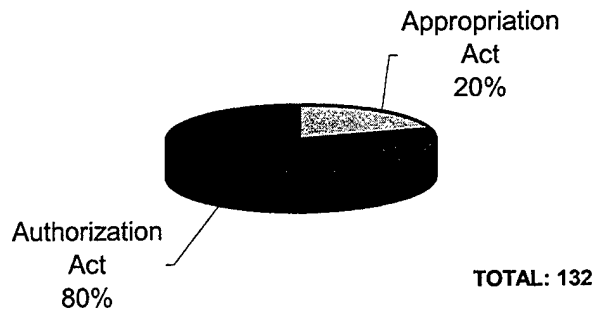
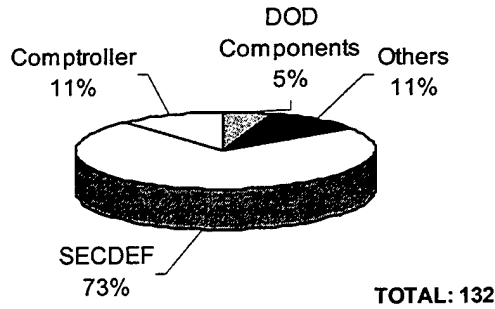
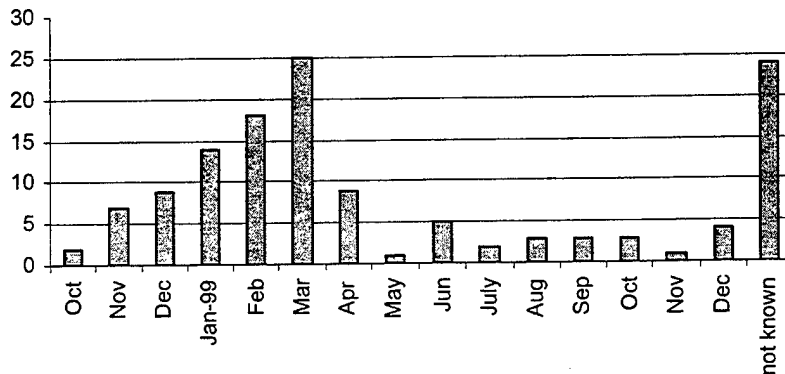


FIGURE 5. REPORTING RESPONSIBILITIES



The Congress expected most of reports in the first half of year 1999. January, February and March 1999 require quite a lot of DOD effort to fulfill obligations. For 24 reports (18%) Congress didn't determine an exact deadline; a due date for those reports is related to execution of some action or the occurrence of some event.

FIGURE 6. REPORTING DEADLINES



Annual Defense Report to the President and the Congress

The Annual Defense Report to the President and the Congress 2000 for the FY1999 fulfills the requirements of the Department of Defense Reorganization Act 1986. In this report the SECDEF evaluates the military performance, capabilities and readiness. Assessing past and present military status and operations, he describes strategy and plans for future challenges and improvements in specific areas where requirements or deficiencies have been recognized.

At the beginning the SECDEF, in his message, describes how DOD pursues the strategy developed in NSS and QDR, according to his priorities. He evaluates what had been done, and how DOD and military forces are prepared for the future. He addresses some areas of specific interest (quality of life, modernization, transformation, DOD performance etc.). He concludes that all objectives were met and the U.S. has "the most lethal, most versatile, best-equipped, and best-trained forces on earth; and we have a defense program that ensures our forces will maintain their superiority in the new century."³¹

The report is divided into six parts. In Part I the SECDEF gives an overview of the Defense Strategy repeating main goals and missions derived from NSS, NMS and QDR. He depicts military requirements for achieving those goals. The weakness of this part is that readers don't get direct answers as to whether or not required capabilities exist.³² The writing style is more appropriate for a study or policy document than for a report. A majority of statements are in conditional or future tense form (must, should, will...).

Part II describes present force organization, performance, capabilities, and readiness. It gives answers about 'shape-respond-prepare' strategy requirements. The structure and style enable readers to acquire a clear, concise picture about the fulfillment of military missions and tasks. It answers the following questions: What had been done? Where are we now? What is to be corrected or improved? What are future plans? Negative trends are anticipated, and required measures are suggested.

In Part III and IV the SECDEF describes how the Armed Forces and DOD are preparing for future challenges. Well structured, and in a precise way he leads us from anticipated future environment and threats, through goals and requirements to planned actions. Readers can acquire information about what has already been done, what is in progress, and what is to

happen in the future. From the budget analysis perspective these two parts are probably the best quality, or what a money-oriented reader expects.

Part V, brief and detailed, depicts FY 2001 Defense Budget and Future Years Defense Program.

The last part of the report consists of the Secretaries of the Services reports. The Secretary of Army evaluates the past and present Army performance, and capabilities in meeting NSS and NMS objectives. He addresses FY1999 and gives main figures about Army Funding; what the Army received and not what was spent [!]. Contrarily, the Secretaries of Navy and Air Force don't mention FY1999 expenditures at all.

Additional information on past and present military performance and expenditures can be found in appendixes. Most of them, especially personnel reports, directly address the Congressional requirements. Appendix I, Government Performance and Results Act, and appendix L, Resources Allocation, directly evaluate FY1999. Both appendixes are, from the budget expenditures point of view, the most valuable parts of the Annual Report. They give some answers in goal-achieved-spent form. Unfortunately, appendix L, which addresses Defense Authorization Act for FY1999 requirements, is not completed.³³ It was submitted separately to the President of the Senate and Speaker of the House of Representatives in Jun, 2000 and it is not available for public dissemination.³⁴

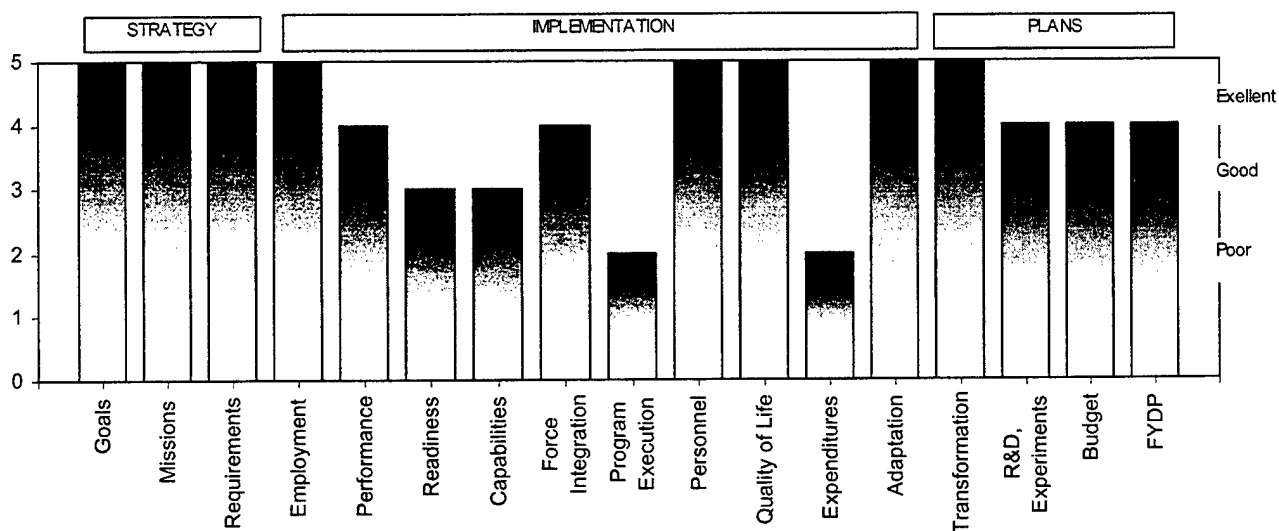
Appendix L provides a year-by-year comparison of DOD funding and manpower allocated to mission and infrastructure³⁵, and DOD manpower in management headquarters and headquarters support activities. Data in this appendix actually doesn't give an answer on spending for different missions because it shows WHO spends money, and not WHY (what mission).³⁶

A comparison of the document structure between the Annual Report and the QDR shows that the Annual Report basically follows the QDR structure. Though the structures of both documents are not the same, information on QDR implementation can be obtained.

In general, the Annual Report gives a comprehensive and detailed review of present national security and defense strategy goals, military requirements to achieve those goals, an evaluation

of past and present military performance, capabilities and readiness, and describes future plans. The NCA and Congress can acquire information on fulfillment of military missions and tasks. Most of the specific requirements from the Authorization and Appropriation Acts are addressed, though sometimes the information needs to be extracted. However, program execution and FY1999 expenditure evaluation, which are certainly important Congressional concerns, are not presented at an expected level. Finally, the Annual Report could be shorter if it was not so goal and future oriented, and less instructive.

FIGURE 7. THE ANNUAL REPORT EVALUATION



Quarterly Army Performance Report (QAPR)

Through the goal-achievement-expenditure analysis, the QAPR provides concise information on Army's program execution and expenditures in FY1999. It consists of eight chapters. In each chapter, principals of designated Headquarters agencies present an evaluation of a particular group of army budget expenditures.

A comparison between the QAPR structure and budget structure shows that the QAPR is structured according to missions and functions, and it doesn't directly match the budget structure. Different offices address and assess effectiveness and efficiency of program funds

within the same budget category. Assistant Secretary of Army – Financial Management and Comptroller, evaluates overall budget execution.

FIGURE 8. ANNUAL REPORT – QDR COMPARISON

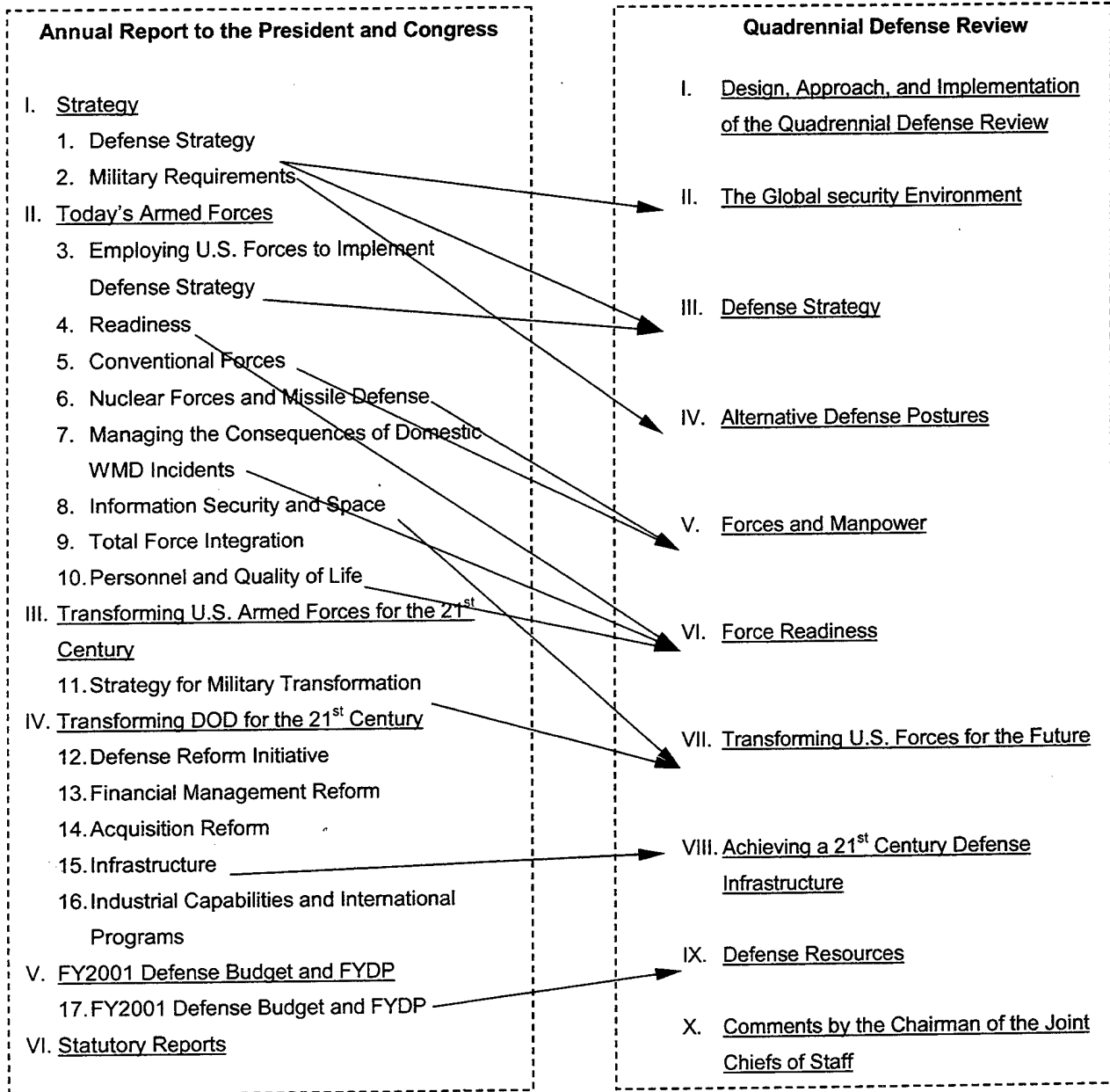
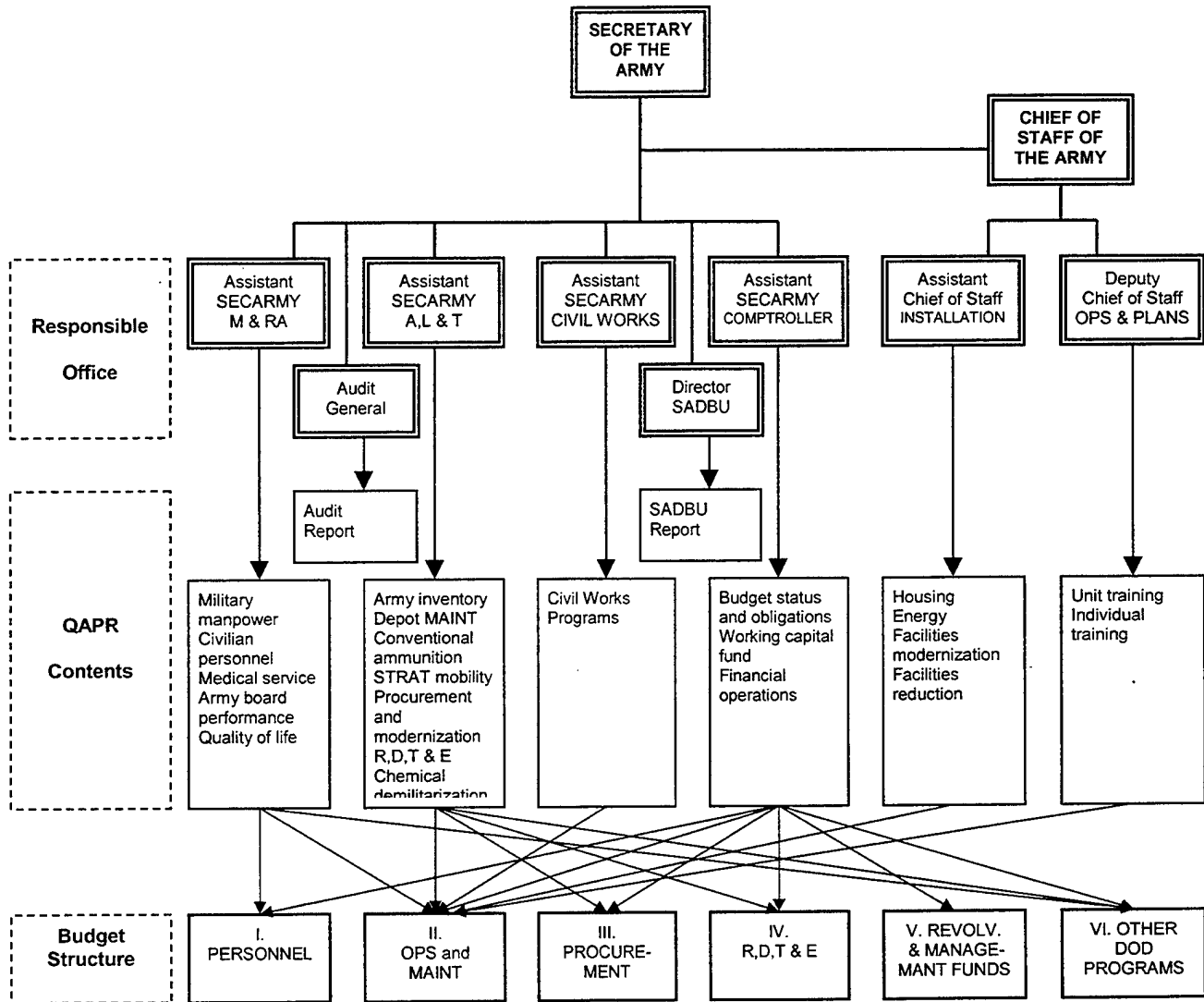


FIGURE 9. QAPR – BUDGET COMPARISON



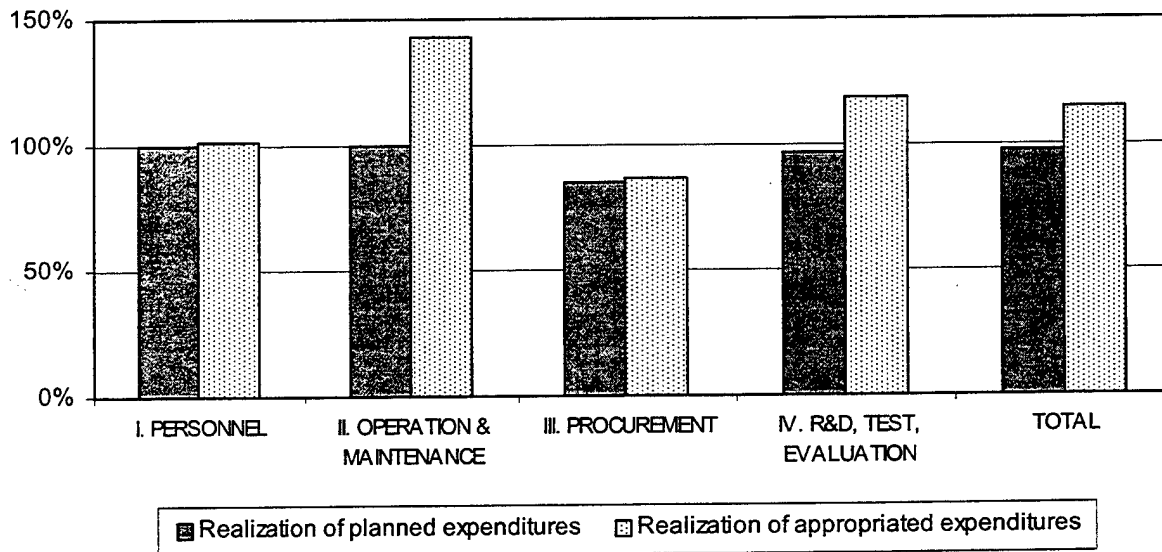
Established metrics provide unambiguous information on selected goal achievement. Deficiencies and shortfalls are clearly recognized. The QAPR directly addresses some Congressional requirements expressed in Defense Authorization or Appropriation Acts. The weakness of the QAPR is that the metrics and selection of data for reporting, though directed by the Comptroller, is not prescribed, and is not necessarily connected to implementation of QDR or SECDEF planning guidance.

In general, the QAPR is a comprehensive, qualitative document which provides visibility and transparency of Army expenditures. Supported by figures, it gives an answer on achievements

in the past, and an assessment of progress and future development. It is a tool for the Army leadership, as it could be for the NCA and the Congress, to acquire information on Army performance and budget execution. However, it gives a status of expenditures through the planned-actual expenditure analysis. A significant difference between planned funding and those, appropriated by the Congress for the FY1999, exist; planned funding are 17.79% higher than appropriated if only four main budget groups (Personnel, Procurement, Operations and Maintenance, Research and Development) are compared. A difference of \$11,140,752,000 is significant.

Planned-actual analysis shows that the realization of FY1999 budget was 97.8%, while appropriated-actual analysis says it was 115.2%; close look shows that the main difference is in funding for operations and maintenance. Information on how much money and why the Army spent it in past fiscal year is clear, and whether it was within planned expenditures or not, but there is no exact answer on execution of the appropriated budget.

FIGURE 10: BUDGET REALIZATION

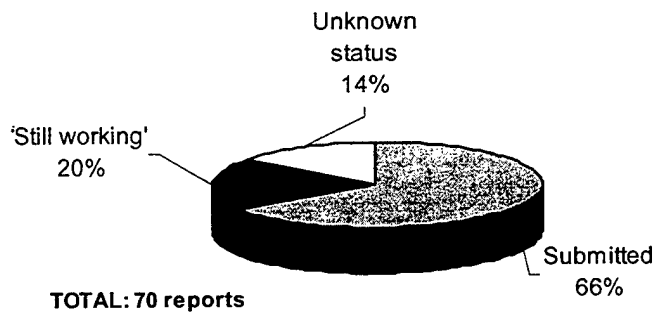


Congressional reporting requirements

The Congress required 132 specific reports on military activities or expenditures for FY1999. The Army keeps record on the requirements it is responsible to submit. According to the Army document FY1999 Army Congressional Reporting Requirements³⁷, the Army was assigned 70 reports. For each report a responsible division within Department of Army, due date, and action officer was identified. The document also gives information on current status.

An analysis of the record for FY1999 shows that 46 reports (65.7%) had been submitted to Congress as required. For 14 reports, the status is 'still working', though the record was printed on February 5, 2001. It can be assumed that those reports were submitted, however this also unveils some kind of negligence regarding selected reporting requirements; the record is not as up-to-date as expected. There is no evidence of any work on 10 reports (14.3%). It is an impression that the Army prioritizes reporting requirements and doesn't submit reports which are not granted special Congressional attention.

FIGURE 11. ARMY CONGRESSIONAL REPORTS STATUS



Contingency Operations Cost Report

According to DOD Financial Management Regulation 7000.14-R, the Defense Finance and Accounting Service in Denver, Colorado, provides information on contingency operations increment and billable costs. The report is submitted monthly to CJCS, under Secretaries of Defense, and DOD component Comptrollers.

The Contingency Operations Costs Report provides detailed information of incremental costs of each operation. The reporting structure enables a comprehensive overview of costs for each DOD component and DOD in total, related to each particular operation. It gives a direct answer concerning the price of implementing national policy through the employment of U.S. military around the world. Unfortunately, the document is not available to the public and it is not clear whether or not it is submitted on a regular basis to the NCA and Congress.

Public access to budget information

Analysis of government-owned pages on the Internet shows that the American citizen can easily obtain information about military expenditures and acquire quite clear pictures why and how the tax-money was spent. They have the opportunity to get familiar with the Army Posture Statement, President's Budget and Defense Budget for particular fiscal year, and the Defense Authorization and Appropriation acts. Information on budget execution is available through Annual Report to the President and Congress, with the previously mentioned limitations.

The Office of the Management and Budget (White House) even offers a Citizen's Guide for the Federal Budget where everybody can obtain some information on what the budget is, where the money comes from and where it goes, how the budget is created etc. The Economic Report of the President is available for those, who are interested in federal expenditures, but it doesn't offer much data about defense expenditures; it addresses only defense industry and total government consumption expenditures and gross defense investments, federal receipts, outlays, deficit and debt.

The House Armed Services Committee on Congressional Internet pages offers legislative materials (bills, committee reports, conference reports etc.), reports on national security and military readiness, and miscellaneous reporting materials. In addition, special reports like the

bombing of Khobar Towers in Saudi Arabia 1996, or military operations in Kosovo are also available. With the exception of budget appropriations and some reports, all crucial information related to budget execution and military readiness are protected and not available for public.

Information on The Army Budget is available on the Army Public Affairs home page. Readers can find planned activities and expected expenditures for maintaining Army readiness, providing quality of life and force realignment, modernization, construction, management initiatives, working capital fund, and the environmental program. They can acquire an answer on why, where, and how much will the money be spent in particular fiscal year.

It can be concluded, that the Internet enables everybody to acquire a detailed picture on military expenditures and their relation to national security objectives.

CONCLUSIONS

The PPBS system is by definition a management tool for resourcing of the U.S. military. It consists of three, coherently linked phases that define national goals and the military strategy, assign the military mission and posture, and provide for required financial resources. It is a logical, well documented, and organized system. Concerns about military expenditures are expressed at the NCA, Congressional and DOD levels of authority, however, the feedback information on military spending is not inherent to the PPBS process. Budget oversight is not a part of the established system though some elements of such a system do exist: prescribed forms and procedures, defined requirements, and assigned responsibilities. Those elements are present in different forms at different levels of the organization. Some important information doesn't reach the NCA and the Congress. It can be recognized that the feedback on military spending, with the exception of program execution evaluation, is not an element for the leadership in defining the future budget.

Before entering into conclusions about the value and utility of feedback, the information about starting point – the budget, must be clear. While strategic directives and requirements are well documented, and precisely transformed to military missions, capabilities and readiness, it is not clear, how much money exactly is available in particular fiscal year. The logical step in searching for an answer is an analysis of the Defense Appropriation and Authorization Acts. Unfortunately this is not enough, because the military also spends previously appropriated funds, and there are always delayed or transferred bills from the previous fiscal year. The difference between appropriated funds and outlays is significant. It is an impression that nobody outside DOD can obtain the real information about the amount of money to be spent in a fiscal year.

On the other side, when the real number of available funds is hard to obtain, it is very clear how it is to be spent. It seems here, that the Congress exaggerates its role, when sometimes exercising authority not necessary granted by the Constitution. The Defense Authorization Act is not only a very narrow and framed guidance for the military leadership in allocating appropriated funds, but it also consists of some elements which by definition don't have the place in this document – foreign policy, public statements, objectives of military programs etc.

Execution oversight is dedicated a lot of attention within the military command structure, the NCA and the Congress. Reporting procedures are established, requirements are defined and forms are generally prescribed. The Congress has a leading role in expressing the budget execution concerns, requiring over one hundred reports per fiscal year. Those, with other reports, required by the SECDEF or Service Secretaries, cover the whole spectrum of defense activities, from military performance and readiness, execution of selected programs, to contingency operations and some important events or activities. This is a comprehensive, detailed overview of the past fiscal year, but quantity instead of quality is presented; reports give a scattered picture, some pieces of the puzzle are missing. Finally, some important data are not available to all who need them for exercising their legal authorities.

The basic weakness of the reports is that the status and performance analysis is generally not performed from the budget perspective. Closest to this requirement are the Quarterly Army Performance Report and Contingency Operations Cost Report, which through established metrics give quite a clear picture of Army expenditures. They provide visibility and transparency of Army budget. Unfortunately, both documents are not submitted on regular basis to the Congress. It is a paradox that the Congress overwhelms the DOD with reporting requirements, and then it doesn't receive reports which can satisfy a lot of its concerns.

How effective the budget execution is in maintaining and enhancing the military readiness, and warfighting capabilities, and whether the progress is evaluated through the cost-effectiveness analysis or not, can be analyzed in future research. Since these reports are classified they were not a subject of this research.

It can be concluded that though the reporting system is not completely established, it provides basic information to the NCA and the Congress about the quality of military performance in implementing the military strategy. General information on execution of missions and tasks, readiness level, and military capabilities can be obtained. However, there is a lack of a direct relation between expenditures and results, and a need for more cost-effectiveness approach. From the U.S. citizens' point of view, military expenditures are transparent; basic information is available in public media.

A general recommendation is that the DOD, with the consultation of the President and the Congress, establish a joint budget execution reporting system, which will provide transparency

of military expenditures through the whole DOD structure. A system, which through the cost-effectiveness analysis will provide a feedback input to the PPBS process.

Some selected improvements are possible in following areas:

- ◇ perform a cost-effectiveness analysis of TEP execution,
- ◇ adapt the reporting structure and metrics for the QAPR with more influence of military leadership,
- ◇ equalize appropriations with outlays in the Appropriation and Authorization Acts,
- ◇ include several Congressional reports to Annual Defense Report, and
- ◇ reduce the Annual Report and make it more budget effectiveness oriented.

WORD COUNT: 6279

ENDNOTES

¹Department of Defense Directive 7045.14. The Planning, Programming, and Budgeting System (Washington D.C., May 22, 1984).

²U.S. Army War College How the Army Runs. A Senior Leader Reference Handbook 1999-2000 (Carlisle, PA: April 1999), 9-55.

³JCS Instruction 3100.01A. Joint Strategic Planning System (Washington D.C., September 1, 1999).

⁴The JSPS provides the means for the Chairman, in consultation with the JCS and CINCs, to systematically review the national security environment, national security objectives as well as the means to evaluate risks and threats, and assess the adequacy of current strategy. The JSPS proposes military strategy, forces, and capabilities necessary to achieve US national security objectives in a resource-limited environment.

⁵ OMB is an agency within the Executive Office of the President.

⁶When Congress fails to pass an appropriation by the end of September, it may pass a continuing resolution (Continuing Resolution Authority – CRA). It is derived from emergency legislation that authorizes the funding of government operations in the absence of appropriations. CRA usually restricts funding to the prior year level, and prohibits new initiatives. Services Secretaries in this situation publish specific policies for their components on how to operate under CRA. If Congress fails to pass that too, DOD continues minimum essential operations based on the requirements of national defense.

⁷ Department of Defense Directive. DOD Policy for Congressional Authorization and Appropriation Reporting Requirements (Washington D.C.: July 22, 1996), 4.1.

⁸ Ibid., 4.3.

⁹ Department of Defense Directive 8910.1-M. DOD Procedures for Management of Information Requirements (Washington D.C.: Jun 1998), 127.

¹⁰ Department of Defense. Financial Management Regulation, 6A. Reporting Policy and Procedures (Washington D.C.: Under Secretary of Defense (Comptroller), February 1996).

¹¹ Department of Army. The Quarterly Army Performance Review. A Primer (Washington D.C.: Office of the Assistant Secretary of Army – Comptroller, 2000).

¹² Department of Defense Regulation 7000.14-R, Financial Management Regulation – DRAFT (Washington D.C.: 2000), 23-1.

¹³ Ibid., 23-4.

¹⁴ Paragraph 4, CINC Engagement Assessment, requires general overview of the effectiveness of recent engagement activities. Includes a review of past engagement

accomplishments, key trends, analysis, shortfalls, future opportunities, and challenges. JCS Manual 3113.01A. Theatre Engagement Planning (Washington D.C.: April 10, 2000), C-6.

¹⁵ President of the U.S. A National Security Strategy for a New Century (Washington D.C., May 1997), 5.

¹⁶ Chairman of Joint Chiefs of Staff. National Military Strategy (Washington D.C., September 1997), 3, 19, 20.

¹⁷ *Ibid.*, 5.

¹⁸ "In conducting the military exercises described in subsection (c), the Secretary of defense shall ensure that-- (1) at least 25 of those exercises (referred to in this section as 'Year 2000 simulation exercises') are conducted so as to include a simulated year 2000 in accordance with the plan submitted under subsection (a);" Public Law 105-262, Department of Defense Appropriations, 17 October 1998 (Washington D.C.: GPO 1998), 2329-2330.

¹⁹ Authorization Act, SEC. 401, 402 and 411.

²⁰ National Military Strategy, 24.

²¹ Example: Authorization Act, SEC. 247: "The Secretary of Defense shall review the policies and doctrines of the Department of Defense on chemical warfare defense and modify the policies and doctrine as appropriate to achieve the objectives set forth in subsection (b)."

²² *Ibid.*, SEC. 373.

²³ Authorization Act has 359 pages, appropriation Act 64.

²⁴ Examples: SEC. 8029: "None of the funds appropriated or made available in this Act shall be used to reduce or disestablish the operation of the 53rd Weather reconnaissance Squadron of the Air Force Reserve." SEC. 8067: "None of the funds appropriated by this Act may be used for the procurement of ball and roller bearings other than those produced by a domestic source and of domestic origin." SEC. 8072: "...that none of the funds in this Act shall be obligated or expended to transport Army personnel into Edwards Air Force Base for training rotations at the National Training Center."

²⁵ According to the Association of the U.S. Army analysis planned budget for FY99 was \$62,868,000,000 (military constructions, and base realignment and closure not included). AUSA. Army Budget Fiscal Year 1999. An Analysis (Institute of Land Warfare: June 1998).

²⁶ Examples of detailed authorization: SEC. 2101; Authorized constructions: "Fort Bragg \$95.900.000, Fort Sill \$13.800.000, Fort Bliss \$4.100.000....". SEC. 311: "Of the amount authorized to be appropriated pursuant to section 301(1) for the operation and maintenance for the Army, \$31.000.000 shall be available only for the refurbishment of up to 70 M1-A1 tanks under the AIM-XXI program." SEC. 521 (a)(2) "To meet the requirements of paragraph (1), the sleeping areas and latrine areas provided for male recruits shall be physically separated from the sleeping areas and latrine areas provided for female recruits by permanent walls, and the areas for male recruits and the areas for female recruits shall have separate entrances."

²⁷ Examples: SEC. 231; "(1) any national missile defense system deployed by the United States must provide effective defense against limited, accidental, or unauthorized [!] ballistic missile attack for all 50 states...". SEC. 1202; "It is the sense of Congress that the President - - (1) should inform the European NATO allies of the expression of the sense of Congress in subsection (a) and should strongly urge them to undertake preparations for establishing a Western European Union-led or NATO-led force as a follow-on force to the Stabilization Force if needed to maintain peace and stability in Bosnia and Herzegovina".

²⁸ Examples: SEC. 567; "The Secretary of each military department shall ensure that an honor guard detail for the funeral of a veteran consists of not less than three persons and (unless a bugler is part of the detail) has the capability to play a recorded version of Taps." SEC. 933. (a) Roles of Inspector General of the Armed Forces.

²⁹ SEC. 535; "Congress recognizes and honors the members and former members of the military forces of South Vietnam, the Republic of Korea, Thailand, Australia, New Zealand, and the Philippines, as well as member of the Hmong, Nung, Montagnard, Kahmer, Hoa Hao, and Cao Dai, for their heroism, sacrifice, and service in connection with United States Armed Forces during the Vietnam conflict." SEC. 1532; "The Congress- - (1) strongly condemns the decisions by the Governments of India and Pakistan to conduct nuclear tests in May 1998;...(9) urges the United States to reevaluate its bilateral relationship with India and Pakistan, in light of the new regional security realities in South Asia, with the goal of preventing further nuclear and ballistic missile proliferation...".

³⁰ Total number of required report by those Acts is higher but others don't address expenditures in FY99, some are related to surveys and studies with due in 2000 and beyond and some are not DOD responsibility. Reports, which are not to be submitted directly to the Congress but to the SECDEF only, were not taken into account.

³¹ Department of Defense. Report of the Secretary of Defense to the President and the Congress (Washington D.C., 2000), vii.

³² Example: one of the military missions is to fight and win two major wars simultaneously. Although the SECDEF addresses those requirements he actually doesn't give clear answer to question; do the U.S. Armed Forces have those capabilities or not? He might expect that readers can find this answer by themselves at the end of report. An answer is expected though the report is unclassified.

³³ "Final figures were not available as of this report's publication date. Appendix L, in its entirety, will be provided to Congress under separate cover as soon as it is available." / Report of the Secretary of Defense to the President and the Congress, L-2.

³⁴ Department of Defense, "Annual Report to the President and the Congress. Appendix L: Resources Allocated to Mission and Support Activities", Memorandum to the Congress, (Washington D.C., 29 Jun, 2000).

³⁵ The term 'infrastructure' actually means all support activities, and includes following programs and functions: science and technology, installation support, central C³ infrastructure, force management, central logistics, central medical and central personnel support, central training, and resource adjustments.

³⁶ Within group of mission category are programs associated with combat forces (divisions, air squadrons, aircraft carriers etc.), direct support forces (corps-level support, naval replenishment etc.), and other forces (intelligence, C³, satellite communications, airborne command posts, and others).

³⁷ Department of Army. FY 1999 Army Congressional Reporting Requirements. Informal report of the Office of the Deputy Assistant Secretary of the Army (Budget) (Washington D.C., 5 February 2001).

ABBREVIATIONS

A,L & T	Acquisition, Logistics and Technology
ARNG	Army National Guard
APG	Army Planning Guidance
APGM	Army Planning Guidance Memorandum
AR	Army Reserve
ASMP	Army Strategic Management Plan
ASPG	Army Strategic Planning Guidance
AUSA	Association of the U.S. Army
BES	Budget Estimate Submission
BY	Budget Year
CBO	Congressional Budget Office
CDR	Commander
CG	CJCS Guidance
CINC	Commander-In-Chief
CJCS	Chairman of the Joint Chiefs of Staff
COCR	Contingency Operations Cost Report
COS	Chief of Staff
CPA	Chairman's Program Assessment
CPG	Contingency Planning Guidance
CPR	Chairman's Program Recommendation
CRA	Continuing Resolution Authority
CV	Combat Vehicle
CW	Chemical Weapon
DFAS	Defense Finance and Accounting Service
DIRFEMA	Director of Federal Emergency Management Agency
DIROTE	Director of Operational Tests and Evaluations
DOD	Department of Defense
DPG	Defense Planning Guidance
DPRB	Defense Planning and Resource Board
DRB	Defense Resource Board
EOP	Executive Office of the President
FAD	Funding Authority Document

FEMA	Federal Emergency Management Agency
FFRDC	Federally Funded Research and development Center
FGM	Fiscal Guidance Memorandum
FY	Fiscal Year
FYDP	Future Years Defense Program
HASC	House Armed Services Committee
IPL	Integrated Priority List
JCS	Joint Chiefs of Staff
JIMP	Joint Vision Implementation Master Plan
JLRSA	Joint Long Range Strategic Appraisal
JNA	Join Net Assessment
JPD	Joint Planning Document
JROC	Joint Requirements Oversight Council
JRR	Joint Readiness Review
JSCP	Joint Strategic Capabilities Plan
JSPD	Joint Strategic Planning Document
JSR	Joint Strategic Review
JV	Joint Vision documents
JWCA	Joint Warfighting Capabilities Assessment
LRP	Long - Range Plan
M & RA	Manpower and Reserve Affairs
MAINT	Maintenance
MDEP	Management Decision Package
MTOE	Modified Table of Organization and Equipment
NCA	National Command Authorities
NLT	not later than
NMS	National Military Strategy
NSC	National Security Council
NSS	National Security Strategy
NSS	National Security Strategy
OMA	Operations & Maintenance Army
OMB	Office of Management and Budget
OPLAN	Operations Plan
OPS	Operations

OSD	Office of the Secretary of Defense
PB	President's Budget
PBAS	Program Budget Accounting System
PBD	Program Budgeting Decision
PBD	Program Budget Decision
PDD	Presidential Decision Directives
PDM	Program decision Memorandum
POM	Program Objective Memorandum
PPBES	Planning, Programming, Budgeting, and Execution System
PPBS	Planning, Programming, and Budgeting System
QAPR	Quarterly Army Performance Review
QDR	Quadrennial Defense Review
R,D,T & E	Research, Development, Test and Evaluation
RC	Reserve Component
RR	Readiness Review
SADBU	Small and Disadvantaged Business Utilization
SASC	Senate Armed Services Committee
SEC	Section
SECARMY	Secretary of Army
SECDEF	Secretary of Defense
SECNAVY	Secretary of the Navy
SECSTATE	Secretary of State
STRAT	Strategic
TAD	Temporary Additional Duty
TAP	The Army Plan
TDA	Table of Distribution and Allowances
TDY	Temporary Duty
TEP	Theater Engagement Plan
TOE	Table of Organization and Equipment
TW	Treasury Warrant
USAWC	United States Army War College
USECDEFAT	Under Secretary of Defense for Acquisition and Technology
WMD	Weapons of Mass Destruction

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