

GAO

Report to the Subcommittees on Defense,
Committees on Appropriations,
U.S. Senate and House of Representatives

September 2004

DEFENSE ACQUISITIONS

Better Information Could Improve Visibility over Adjustments to DOD's Research and Development Funds



G A O

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Highlights of [GAO-04-944](#), a report to the Subcommittees on Defense, Committees on Appropriations, U.S. Senate and House of Representatives

DEFENSE ACQUISITIONS

Better Information Could Improve Visibility over Adjustments to DOD's Research and Development Funds

Why GAO Did This Study

Congress recognizes that the DOD needs some flexibility to adjust research and development program levels. A key mechanism—below threshold reprogramming (BTR)—enables DOD to adjust program funding levels without seeking prior congressional approval as long as a certain dollar amount or percentage threshold is not exceeded.

In response to a mandate by the appropriations committees, this report addresses (1) the quality of the information available about DOD's use of BTRs and withheld funds in fiscal years 2002 and 2003 and (2) the amount and volume of BTRs and temporarily withheld funds for those years. The report also addresses recent congressional direction on providing information on funding adjustments.

DOD disagreed that its recent reports to Congress provide BTR information of limited quality but noted that the issues GAO raised in this regard can be addressed and that DOD was open to suggestions and will gladly work with committee staff to satisfy their needs. DOD also offered suggestions to clarify language on certain issues and to put its use of BTRs more in context. DOD's willingness to work with Congress is a constructive response that can lead to reporting changes that can meet the needs of both Congress and DOD. GAO has made appropriate clarifications of language and overall BTR context.

www.gao.gov/cgi-bin/getrpt?GAO-04-944.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul L. Francis at (202) 512-4841 or francisp@gao.gov.

What GAO Found

DOD's recent reports to Congress provide BTR information of limited quality and do not contain data about funds withheld from DOD's research and development programs in fiscal years 2002 and 2003. DOD delivered its reports to Congress months after the time that Congress began considerations for the new budget, and accessibility was limited because the reports were classified. BTR data in the reports to Congress were derived through subtraction, rather than totaling the actual value of BTR transactions. The reports do not provide a complete picture of how BTRs are implemented on a program-by-program level. DOD has no overall system for maintaining detailed BTR and withhold data across organizations, although such data can be reconstructed from DOD's multiple data collection systems.

GAO found that DOD organizations used BTRs frequently to increase or decrease research and development program funding levels. The Air Force, Army, Navy, and Missile Defense Agency (MDA) executed 1,927 BTRs, amounting to about \$1 billion in fiscal year 2003. This amounted to about 2 percent of the research and development funds for these organizations. Among the programs affected by BTRs, about half lost funds and more than one-fourth gained funds. While the dollar amounts and frequency differed for fiscal year 2002, the patterns were similar. Although GAO did not observe any instances in which DOD's use of BTRs exceeded the thresholds, GAO's work was not conclusive on this point, as GAO did not design steps to assess compliance with thresholds.

Organization	Number of programs	Number of BTRs	Total value of BTRs
Air Force	174	286	\$211,236,000
Army	165	312	105,652,000
Navy	194	932	330,316,000
MDA	12	397	335,870,000
Office of the Secretary of Defense	64	N/A ^a	N/A ^a
Total	609	1,927	\$983,074,000

Sources: Air Force, Army, Navy, MDA, Office of the Secretary of Defense (data); GAO (analysis).

^aOffice of the Secretary of Defense data for BTRs were not available.

DOD withheld about \$2.8 billion in funds in fiscal year 2003. Officials cited several reasons for implementing BTRs and withholds, including accommodating unanticipated changes or events, implementing congressional mandates, and, in the case of some withholds, controlling the execution of individual programs. Congress has required DOD to provide better and more timely information on reprogramming and withhold activities.

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Abbreviations

BTR	below-threshold reprogramming
DOD	Department of Defense
MDA	Missile Defense Agency

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United States Government Accountability Office
Washington, D.C. 20548

September 17, 2004

The Honorable Ted Stevens
Chairman
The Honorable Daniel Inouye
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Jerry Lewis
Chairman
The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

For fiscal year 2003, Congress appropriated \$59 billion for defense research and development overall. Most of this amount was appropriated for research and development accounts for the military departments and Defense-wide, including the Missile Defense Agency (MDA) and the Office of the Secretary of Defense. While such funds are designated for hundreds of individual programs, Congress recognizes that the Department of Defense (DOD) needs to have some flexibility to adjust these funds for unexpected needs or for other valid reasons.¹ In fiscal year 2003, DOD adjusted several billion dollars worth of appropriated research and development funds for the military departments, MDA, and the Office of the Secretary of Defense.

DOD uses two key mechanisms to adjust the distribution of research and development funds—reprogramming and withholding. In this report, reprogramming refers to the shifting of funds by DOD within individual research and development accounts for purposes other than those contemplated when Congress appropriated the funds, such as to different

¹ The funds are appropriated in a lump sum for each of the research and development accounts (Army, Navy, Air Force, and Defense-wide) and the conference report accompanying the annual DOD appropriations act designates both the individual programs to receive the funds and the amount each program is to receive.

programs. Congressional defense committees have established reprogramming guidelines, including setting dollar thresholds, that direct DOD to seek the prior approval of the committees before executing the movement of funds. In accordance with these guidelines, DOD regulations require that when the amount to be reprogrammed falls below the threshold, referred to as a below-threshold reprogramming (BTR), DOD generally does not need congressional committee approval. DOD regulations also provide that reprogrammings above the threshold do require prior congressional committee approval.² A single reprogramming transaction adjusts at least two programs—the donor and the recipient.³ Often, several programs can be adjusted. In this report, we treat each adjustment as a BTR. Withheld funds are those funds appropriated to programs that DOD temporarily holds back for some period of time during the funds' period of availability before releasing them to research and development programs.⁴ Withheld funds are eventually either released to the designated programs or reprogrammed for other uses.

The appropriations committees have expressed concern about how DOD is reprogramming and withholding appropriated funds for research and development and that DOD has not kept Congress adequately informed about such actions. The Conference Report accompanying the fiscal year 2004 DOD Appropriations Act (P. L. 108-87) mandated that GAO review DOD's movement and withholding of research and development funds.⁵ In response to the mandate, this report addresses (1) the quality of the information available about DOD's use of BTRs and withheld funds in fiscal years 2002 and 2003 and (2) the amount and volume of BTRs and withheld funds for those years. The report also addresses recent congressional direction on reprogramming and withholding defense research and development funds.

² Above-threshold reprogrammings are not a focus of this report because they are visible to Congress.

³ By donor we mean the program(s) from which funds are shifted and by recipient we mean the receiving program(s).

⁴ As used in this report, the term withholding does not refer to withholdings of budget authority as defined under the Impoundment Control Act of 1974.

⁵ H.R. Conf. Rep. No. 108-283, at 231. The Conference Report used the term "taxes" or "taxing" to refer to reductions by DOD to the levels of funding appropriated to a program. To avoid confusion, this report does not use these terms as they are not used in DOD's Financial Management Regulation. Instead, we use the terms reprogramming or withholds.

We focused our review on the military departments—the Air Force, Army, and Navy (including the Marine Corps)—as well as MDA and the Office of the Secretary of Defense. To determine the quality of the information available about DOD’s use of BTRs and withholds, we reviewed the DOD Financial Management Regulation and congressional reports; DOD internal reports and reports to Congress; financial reports; data collection systems; and financial records for all of the research and development programs from the Army, Air Force, Navy, MDA, and Office of the Secretary of Defense. In accordance with federal internal control standards, we have defined quality of information as measured by such factors as timeliness, accessibility, accuracy, and appropriateness of content.⁶ To determine the amount and volume of BTRs and withheld funds, we obtained available data from the Air Force, Army, Navy, and MDA’s data collection systems on actual BTRs and withholds and developed a database containing data on each research and development program. We conducted multiple analyses about BTRs. We interviewed DOD policymakers and decision makers to gain an understanding of how various reports are prepared and to obtain information about BTRs and withholds. To gain insight into program-level activities, we interviewed program managers and collected data from at least three selected research and development programs in each of the three military departments. We selected the programs on the basis of three criteria: a laboratory, a program with significant net reduction or addition of funds through BTRs, and a program with a relatively high number of both reductions and additions of funds through BTRs. We performed our review from November 2003 to July 2004 in accordance with generally accepted government auditing standards. More details about our methodology are in appendix I.

Results in Brief

In fiscal years 2002 and 2003, DOD provided to Congress information about BTRs that had several limitations, which reduced the quality of the information. For both years, DOD provided reports on these adjustments several months after Congress began the budgeting process for the next budget year. The reports were classified, which limited their distribution and accessibility. In addition, we found a number of discrepancies between the BTR data in the reports for both years and the information on actual BTRs in DOD organizations’ data collection systems. For example, the Army, Navy, MDA, and the Office of the Secretary of Defense’s BTR

⁶ GAO, *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington D.C.: August 2001).

information was not based on actual BTR transactions; instead, the BTR information was derived by subtraction, versus totaling the actual value of individual BTRs. In addition, the Air Force, Army, and Navy's data on actual BTRs did not reconcile with their BTR information in the annual reports to Congress. Information about funds withheld from programs for some portion of their availability period was not reported to Congress. While better and more detailed information on BTRs and withholds is available within DOD, it is not readily accessible. DOD has no overall system or database for maintaining detailed information on BTRs and withhold data. Instead, the three military departments, MDA, and the Office of the Secretary of Defense use multiple, independent data collection systems that are not integrated with one another. These systems range widely in their level of automation, detail, and accessibility. The data needed to determine the amount and volume of BTRs for fiscal years 2002 and 2003 were not readily available from some of the systems and some manual data collection was necessary.

We found that in fiscal years 2002 and 2003, DOD organizations used BTRs and withholds frequently to adjust funding for research and development programs. In fiscal year 2003, the military departments and MDA used BTRs to reprogram about \$1 billion of the \$47 billion appropriated to them by Congress for research and development programs. This amounted to about 2 percent of their research and development funds. Of the programs affected, about half lost funds and more than one-fourth gained funds. On occasion, BTRs substantially altered, or redirected, a program's designated funding level. For example, the Air Force used BTRs to nearly double the funding for its KC-10S aircraft program and to reduce its C-130J aircraft program by 81 percent.⁷ Of the programs affected, 76 percent had at least 1 BTR, and 14 percent had 6 or more. Among the most active examples, the Air Force and Navy executed a total of 20 BTRs on the Joint Strike Fighter aircraft program. Although we did not observe any instances in which DOD's use of BTRs exceeded the thresholds, our work was not conclusive on this point as we did not design steps to assess compliance with thresholds. In addition to BTRs, DOD withheld about \$2.8 billion in fiscal year 2003. Officials cited several reasons for implementing BTRs and withholds, including accommodating unanticipated changes or events, implementing congressional mandates, and, in the case of some withholds, controlling the execution of individual programs.

⁷ The KC-10S program was canceled shortly after this increase in funding.

Congress has continued to express concerns over how DOD is adjusting appropriated funds for research and development programs and over the adequacy of information from DOD about such actions. In the Conference Report accompanying the fiscal year 2005 DOD Appropriations Act (P. L. 108-287), Congress revised the reprogramming guidelines, including new direction on reprogramming and withholding appropriated funds for research and development programs.⁸ Specifically, Congress directed DOD to report on the adequacy and use of DOD's current reprogramming and withholding practices, to work with congressional defense committees on ways to provide timely and accurate data on reprogrammings and withholds; to increase the reporting of reprogramming information on a monthly basis, if not more frequently; and to transmit the data electronically, if feasible, to congressional defense committees. The direction to DOD to work with the committees provides an excellent opportunity for DOD to make changes that can serve mutual needs for information on reprogramming and withholds.

DOD disagreed that its recent reports to Congress provide BTR information of limited quality but noted that the issues we raised in this regard can be addressed and that DOD was open to suggestions and will gladly work with committee staff to satisfy their needs. DOD also offered suggestions to clarify language on certain issues and to put its use of BTRs more in context. DOD's willingness to work with Congress is a constructive response that can lead to reporting changes that can meet the needs of both Congress and DOD. We have made appropriate clarifications of language and overall BTR context.

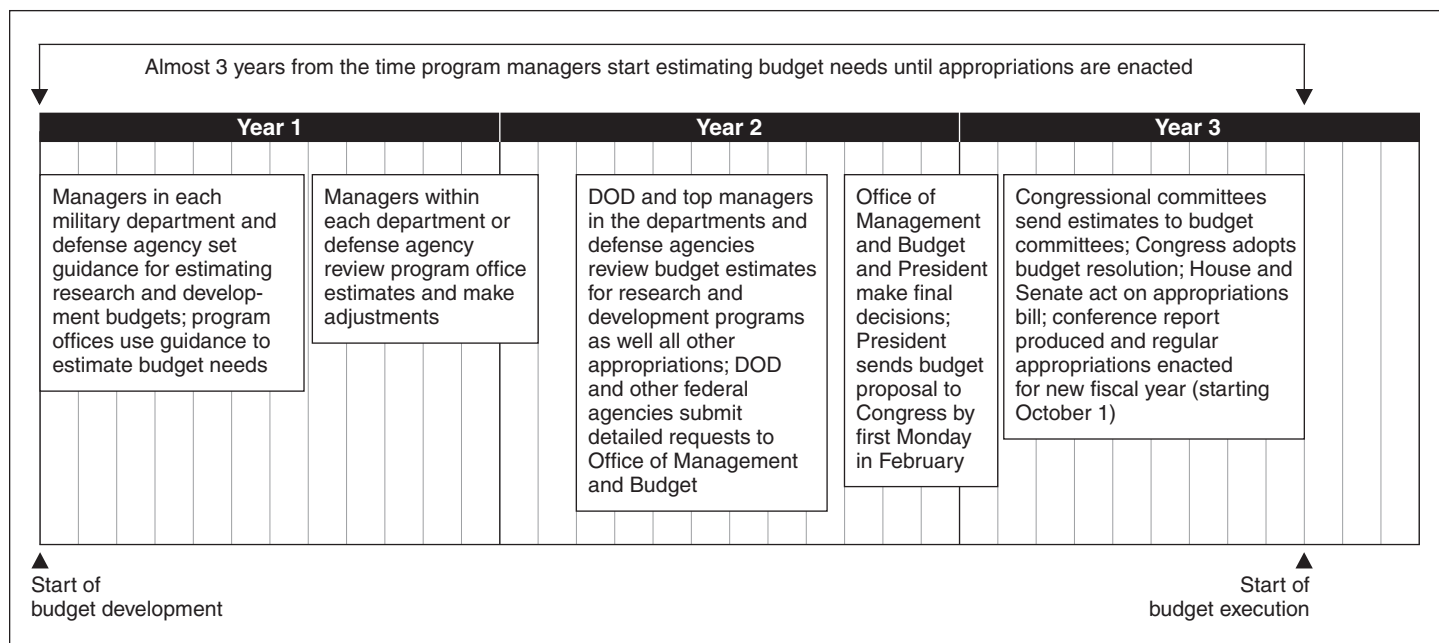
Background

The funds that DOD managers need for their research and development programs first must be considered by DOD for inclusion in the President's Budget. If the President includes the funds in the budget he transmits to Congress, then Congress considers the request. If Congress approves the request, it appropriates funds for the programs in the annual DOD appropriations act that is signed into law by the President. Three years can lapse from the time a program manager begins formulating a research and development program budget request to the time that funds are included in an appropriations act that is signed into law and designated for the

⁸ H.R. Conf. Rep. No. 108-622, at 68.

program in the accompanying conference report. Figure 1 shows a typical scenario for the research and development program budgeting process.

Figure 1: Time Frame from the Start of Budget Development to the Start of Budget Execution



Sources: Defense Acquisition University, May 2004; Congressional Research Service; The Brookings Institution (data); GAO (analysis).

Note: In some years, Congress does not complete budget action by October 1 for the start of the new fiscal year. In such cases, one or more continuing resolutions are typically enacted, enabling the military departments and defense agencies to continue with program activities.

The resulting appropriations act typically specifies a lump sum for several different accounts, including the research, development, test and evaluation appropriation account of each of the military departments as well as separately for DOD-wide research and development activities.

The account for research, development, test, and evaluation (referred to in this report as research and development) is further broken down into budget activities, such as basic research and advanced technology development. Each budget activity is then subdivided into program elements, which we refer to as programs in this report. The conference report that accompanies the appropriations act lists the amounts Congress designated for each activity and program. An individual program can be

further subdivided by DOD into projects or other activities. Following the annual enactment of the appropriations act, the Office of Management and Budget apportions the funds and DOD allots the funds and—except for those being withheld—makes the money available or releases it to managers for executing programs. Managers generally have 2 years to obligate research and development funds before the funds expire.

By the time the budget approval process is complete and the funds are made available, several things can be said about the appropriated amounts for the individual program: (1) they represent decisions by Congress to approve programs as requested, create new programs, and adjust the requested amounts for others; (2) because of the elapsed time from the point the program manager began formulating the budget request until enactment of the appropriations act, situations may have changed that cause a misalignment between the approved funds and the actual status of the program; (3) the inherent unknowns in research and development will result in some programs not being executed as contemplated by the budget; and (4) unanticipated events will develop during the execution year that were not anticipated in the budget.

It is for these and other reasons that Congress recognizes that DOD needs some flexibility to adjust research and development funds after they are appropriated. A primary vehicle for exercising this flexibility is reprogramming. DOD can also withhold funds from programs prior to reprogramming or releasing the funds. The Air Force and MDA restrict the authority to reprogram or withhold funds to their headquarters staffs, while the Army and Navy grant their subordinate commands and program executive offices this authority.

This report defines withheld funds—or a withhold—as appropriated DOD research and development funds that are not released by DOD to a designated program for part of the 2-year period of availability of those funds. Prior to being released for execution, funds may be withheld by the Office of the Secretary of Defense and the headquarters for the military departments and MDA. DOD withholds funds for a variety reasons and does not seek prior congressional approval for these transactions. While funds are withheld, the funds are still designated for the program but not yet released to that program.

In contrast, reprogramming of appropriated funds is a mechanism for which DOD has established a formal process for internal review and approval and, when necessary, congressional notification and approval.⁹ For fiscal year 2003, to implement congressional guidelines, DOD's reprogramming policy required prior written approval from congressional defense committees for any research and development reprogramming increase of at least \$10 million to an existing program and for any decrease of at least \$10 million or 20 percent of the program's appropriation, whichever was greater. In fiscal year 2002, the threshold for increases was \$4 million, and, for decreases, \$4 million or 20 percent of the appropriated amount, whichever was greater. These thresholds are applied at the program level of the budget. According to DOD's Financial Management Regulation and congressional guidelines, DOD generally does not have to seek prior congressional approval for reprogrammings that do not exceed the threshold; hence, these are BTRs. The threshold applies to both individual BTRs and the cumulative amount of BTRs in each program element. Thus, multiple BTRs for the same program must not exceed the threshold in total. If congressional committees have denied a reprogramming request above the threshold, DOD policy prohibits the use of a series of BTRs to achieve the denied request.

DOD submits a number of reports to Congress each year to convey appropriations-related information for each research and development program. One of these reports, the DD 1416, is intended to capture all changes made to the amount designated by Congress for a program, including BTRs. The DD 1416 is Congress's primary vehicle for information about BTR changes by DOD to the amount designated for a program. The annual DD 1416 report for Congress covers the entire fiscal year ending September 30. A DOD regulation requires that the annual report for Congress be sent by DOD components to the DOD Comptroller within 30 working days after September 30 for review prior to submission to Congress. However, the DOD regulation does not specify a date by which the report must be sent to Congress.

⁹ DOD's instructions for the congressional notification process for reprogrammings are contained in the DOD Financial Management Regulation, vol. 3, chapter 6 (August 2000), as supplemented by the DOD Comptroller. Reprogramming differs from a transfer, which is the shifting of funds between appropriations. For example, a military service receives an appropriation for research and development but transfers the funds out of research and development to operations and maintenance. Transfers require specific statutory authority. DOD has multiple statutory transfer authorities.

DOD Collects and Provides BTR Information of Limited Quality for Congress and Does Not Provide Congress with Withhold Data

DOD's primary vehicle for reporting BTRs to Congress, the DD 1416 report, has several limitations that reduce the report's quality as a source of information. DOD provided the DD 1416s for fiscal years 2002 and 2003 to Congress several months after Congress began considering the new budget. Because the reports contained classified information, their distribution was limited. We found a number of discrepancies between the BTR data in the DD 1416s and the information on actual BTRs in DOD organizations' data collection systems. Further, the reports did not include detailed information about BTR activity on a program-by-program level, such as whether programs gained or lost funding, and provided no withhold data.

Data on actual BTRs in DOD are not centralized but rather are contained in the individual data collection systems maintained by the military departments, MDA, and the Office of the Secretary of Defense. These systems range widely in their level of automation, detail, and accessibility. The data needed to determine the amount and volume of BTRs for fiscal years 2002 and 2003 were not readily available from some of the systems and some manual data collection was necessary. Information on actual BTRs did not always reconcile with the data contained in the DD 1416 report to Congress.

DOD's Reports to Congress Have Shortfalls

For fiscal years 2002 and 2003, DOD delivered the DD 1416s to Congress several months after Congress began deliberations on the new budget year. Each report was dated in April the year following the end of the fiscal year, and was not delivered to Congress until May, according to a DOD official. Thus, the report covering the fiscal year ending September 30, 2002, was sent to Congress in May 2003, and the report for the fiscal year ending September 30, 2003, was sent to Congress in May 2004. It appears that until the reports were received, congressional committees were less informed about the funds that were moved from one research and development program to another when considering program budgets for the following year. In addition, the reports were classified because of the sensitive nature of some of the DOD programs. Classification restricts the ease with which reports can be accessed by and circulated among congressional staff.

The data contained in the DD 1416s to Congress for both years had several limitations. The reports listed a net amount intended to represent all BTRs for each program—after all BTR increases and decreases were calculated—that occurred in the fiscal year. We found that, except for the

Air Force, the net amounts were not based on actual BTR transactions. Rather, the net amounts in the DD 1416s were derived by subtracting all adjustments from the balance of programs' funds, whether the adjustments were BTRs or not. In addition, when we compared BTR information in the DD 1416s with the BTR data provided to us by the DOD organizations, we found that, except for MDA, the information did not match. The military departments were not able to reconcile the data. In addition, the reports did not contain detailed, continuous data on BTRs. For example, the DD 1416s did not contain the total number of BTRs for each program, whether funds were added or reduced, reasons for BTRs, or the donor or recipient programs. Thus, the reports could not be used to understand what changes occurred in an individual program during the year of execution.

Information about funds withheld from programs for some portion of their availability period was not reported to Congress.

Data Collection Systems and Quality of Source Data Vary Widely

DOD does not have a single, centralized, integrated data collection system to record, manage, and report on funds that have been reprogrammed through BTRs or withheld. Rather, such information is maintained by the individual organizations with responsibility for managing the funds appropriated for each program. To satisfy the requirements of the mandate, we developed a single database that contains information on research and development funds reprogrammed and withheld in fiscal years 2002 and 2003 from the three military departments and MDA.

These organizations employ different systems to track and monitor BTRs. Most but not all systems are centralized, and some organizations have separate systems for recording funds withheld from programs. The quality of BTR and withhold data varied across the three military departments and MDA. We found several features of data collection systems that appeared to be important to generating quality information. These included whether: a centralized record and approval system was in place to track changes within programs; reasons for changes were recorded; data on both donors and recipients were included; details on transactions were easily retrievable; and data reconciled with amounts reported in the DD 1416 report. Table 1 summarizes these features for the individual data collection systems.

Table 1: Summary of Features of Data Collection Systems for Military Departments and MDA

Features	Army	Navy	Air Force	MDA
Centralized system for tracking individual BTRs	x		x	x
Reasons for BTRs are recorded			x	x
Donors and recipients are recorded		x	x	x
Detailed data are easily retrievable			x	x
Data reconcile with DD 1416				x

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Note: We did not review the Office of the Secretary of Defense's data collection system because it was still being implemented.

Details on each of the systems follow.

Army

The Army uses DOD's computerized Program Budget Accounting System to record and track BTRs. The accounting system is accessible at Army headquarters and at all of the subordinate organizations. Although the system provides the net dollar amount of the BTRs for each program and project, the system has several limitations. For example, the system does not show the details of each BTR transaction, such as the donors and recipients of each transaction or the purpose. To identify the donors and recipients, the Army must resort to paper records produced by the system for each transaction. Furthermore, the system does not have the capability to electronically retrieve information about prior individual BTRs because the system only shows the cumulative net BTR balances. Prior individual balances are overwritten after 10 days. Once 10 days have passed, if budget officials do not print a record, the opportunity to save that data is lost. If paper records were printed, budget officials can manually assemble and analyze the records about individual BTR transactions. We found that nearly 41 percent of the Army's BTR data contained in the DD 1416 for Army programs in fiscal year 2002 did not match the BTR data contained in the paper records produced by the Army's data collection system, and nearly 46 percent of DD 1416 BTR data did not match for fiscal year 2003.¹⁰

¹⁰ At the request of Army budget officials, we also compared the data contained in the DD 1416 with electronic data from the Program Budget Accounting System. However, the accounting system's electronic data did not match the data contained in the DD 1416s. The percentage of mismatches was 32.5 percent in fiscal year 2003 and 22.9 percent in fiscal year 2002.

With regard to withholds, the data collection system provides some data on funds withheld from Army programs by the Office of the Secretary of Defense, Army headquarters, and subordinate organizations, but the system only shows the cumulative amount of the withheld funds, not the information for each BTR and withhold. Army Budget Office officials said a report is produced with this information each month. Also, a user of the system can, at any time, print a report that shows cumulative withhold amounts up to the date of printing. However, as with the individual BTR data, the individual withhold data gets overwritten after 10 days and cannot be retrieved afterward. Thus, the Army has to rely on paper-based reports to form an audit trail.

Navy

The Navy utilizes multiple systems to manage appropriated funds. Separate systems are used at the headquarters level to record and track BTRs and withholds. Another is used to allocate statutory obligations. Multiple subordinate organizations have developed similar systems to record the BTRs and withholds that they authorize. The Navy required about 10 weeks to gather information about BTRs and withholds from subordinate organizations and to consolidate that information with data maintained by headquarters.

The Navy data collection systems identified all funding level changes, as well as the programs from which funds were taken and added. The systems did not identify the reasons for these changes. The Navy had detailed records identifying the specific programs that were subject to BTRs and withholds, including the donor or recipient for each BTR transaction, but the reasons for reprogramming transactions were not available. While most of the totals provided to us matched those included in the DD 1416, there were discrepancies for some Navy programs.

Air Force

The Air Force uses a single, computer-based, data collection system to manage adjustments to the funding level for each program. This system was designed and is maintained by a contractor. The system is used to record, track, and manage all changes to Air Force research and development funding levels for headquarters and subordinate organizations, including system program offices and laboratories. The system maintains multiple years of information on research and development funds withheld and reprogrammed. For most reprogrammings, the system records the purpose of the changes and identifies the programs from which funds were decreased and increased. The system is updated about once a month and available principally to those in the headquarters management unit. The system maintains data for

multiple years, and the data are easily retrievable. The Air Force had detailed electronic records identifying the specific programs that were subject to BTRs and withholds, including the donor or recipient for each BTR transaction and the reasons for most of them. The information on BTRs and withholds was not available below the program level, such as for a project within a program. Some of the BTR data did not match the data contained in the DD 1416s for fiscal years 2002 and 2003. Air Force officials attributed the discrepancies to adjustments that had been made to BTRs in its management information system and said the problem has been corrected for fiscal year 2004.

MDA

MDA utilizes a single, computerized data collection system to record and manage changes to program funding levels. The system records BTRs and withholds for all of its programs, including the donors and recipients for BTRs and the reasons for them. The system operates on a real-time basis and is available to all participants from the headquarters unit to the individual program offices. The system maintains multiple years of data, and the data are electronically retrievable. MDA's BTR data reconciled with the DD 1416s for fiscal year 2003.

Office of the Secretary of Defense

The Office of the Secretary of Defense has data collection systems for tracking BTRs and withholds for the research and development programs it manages, but these systems were not available to record BTRs for fiscal years 2002 and 2003 appropriations. Consequently, the office did not provide records of individual BTRs. Officials managing these programs stated that a data collection system to record and manage appropriated funds would be helpful, and they are working to improve the system they installed for fiscal year 2004.

BTRs and Withholds Used Frequently to Adjust or Control Programs' Funding Levels

We found that the Air Force, Army, Navy, and MDA executed 1,927 BTRs in fiscal year 2003, totaling about \$1 billion. This amounted to about 2 percent of their research and development funds. These transactions either reduced or added to most research and development programs' funding. Although we did not observe any instances in which DOD's use of BTRs exceeded the thresholds, our work was not conclusive on this point as we did not design steps to assess compliance with thresholds. Of the programs affected by BTRs, 48 percent experienced a net loss in funding after accounting for additions and reductions. The effect of BTRs on some programs was so significant that the programs were essentially redirected. With regard to withheld funds, the Army, Navy, and Air Force, and the

Office of the Secretary of Defense withheld a total of about \$2.8 billion in fiscal year 2003. The Office of the Secretary of Defense withheld 56 percent of the funds, while the military departments withheld the rest. MDA did not report withhold data except for those funds withheld from MDA by the Office of the Secretary of Defense. Because DOD organizations have learned to expect a volume of changes each year—although the specifics are unpredictable—they have developed strategies to anticipate possible DOD decisions to reprogram or withhold portions of their funding. Officials noted that one strategy involves increasing programs' budget requests to cover anticipated BTRs and withholds so programs can continue to perform at planned levels. Officials from the military departments, MDA, and the Office of the Secretary of Defense cited several reasons for implementing BTRs and withholds, including accommodating unanticipated changes or events, implementing congressional mandates, and, in the case of some withholds, controlling the execution of individual programs.

Wide Use of BTRs and Withholds

In fiscal year 2003, DOD reprogrammed about \$1.7 billion in research and development funds. About \$1 billion of this money—59 percent—was reprogrammed by the Air Force, Army, Navy, and MDA using BTRs.¹¹ This amounted to about 2 percent of the research and development funds for these organizations. The number and amount of BTRs executed in fiscal year 2003 varied by organization, as shown in table 2. Additional details for fiscal years 2002 and 2003 are contained in the appendixes.

¹¹ Reprogramming of the remaining 41 percent, or about \$700 million, was above the threshold, required prior congressional approval, and was visible to Congress.

Table 2: Number and Value of BTRs for Fiscal Year 2003 Research and Development Programs

Organization	Number of programs	Number of BTRs	Total value of BTRs
Air Force	174	286	\$211,236,000
Army	165	312	105,652,000
Navy	194	932	330,316,000
MDA	12	397	335,870,000
Office of the Secretary of Defense	64	N/A ^a	N/A ^a
Total	609	1,927	\$983,074,000

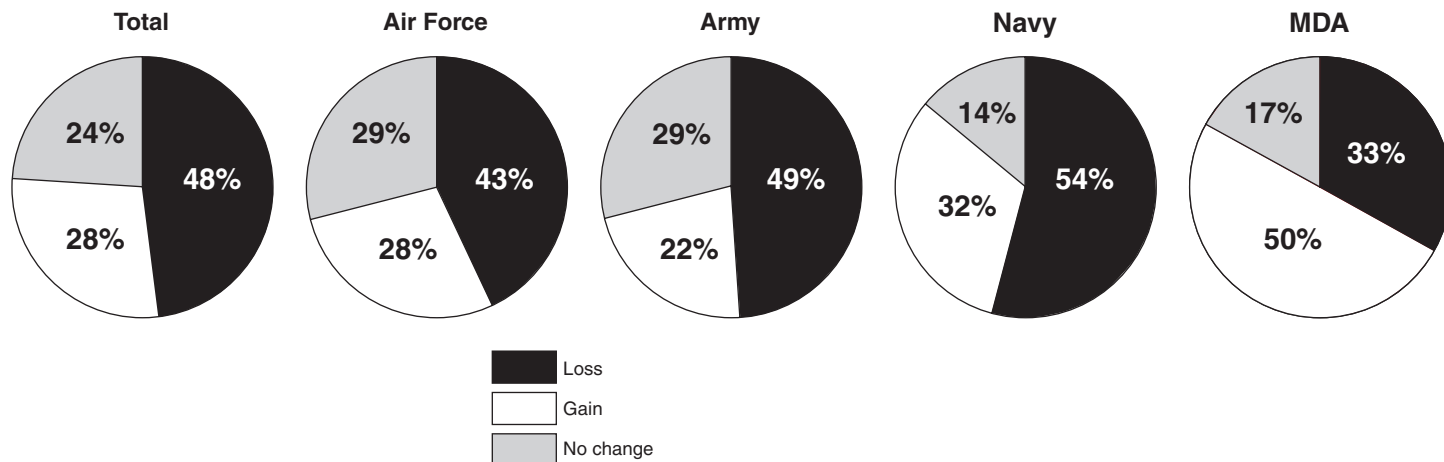
Sources: Air Force, Army, Navy, MDA, Office of the Secretary of Defense (data); GAO (analysis).

^aData were not available because the Office of the Secretary of Defense said its system for collecting BTR information for fiscal year 2003 was not yet implemented.

MDA, which has a total of 12 programs (or 2 percent of the total), accounted for 34 percent of the total dollar value of BTRs and 21 percent of the total number of BTRs. MDA programs generally have larger research and development budgets than other DOD organizations' programs. MDA programs in fiscal year 2003 ranged in size from about \$7.5 million to about \$3.2 billion, while the smallest program among the three military departments amounted to \$313,000 and the largest was about \$1.7 billion. Additional details are shown in appendix III, table 9.

Of the programs that experienced BTRs in fiscal year 2003, 48 percent had BTRs that resulted in a net loss of funds, while 28 percent had BTRs that resulted in a net gain, as figure 2 shows. The percentage of programs gaining and losing funds through BTRs varied across organizations. These percentages—and the specific programs involved—also varied from year to year. (App. III, fig. 5, shows percentages for fiscal year 2002.)

Figure 2: Percentage of Programs with BTRs That Resulted in a Net Loss, Net Gain, or No Change in Funding in Fiscal Year 2003



Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Note: Office of the Secretary of Defense data were not available.

Some programs lost or gained such a substantial portion of their designated funding that they were essentially redirected. For example, in fiscal year 2003, the Air Force’s KC-10S aircraft program was increased by 92 percent through four BTRs. In contrast, the Air Force’s C-130J aircraft program was reduced by 81 percent through four BTRs. More details on these programs are shown in table 3.

Table 3: Effect of BTRs on Funding Levels for Two Air Force Programs in Fiscal Year 2003

Program	Original designated funding level	BTR amount	Number of BTRs	Other reductions ^a	Revised funding level	Percentage change
KC-10S	\$10,506,000	\$9,999,000	4	-\$356,000	\$20,149,000	92
C-130J Program	10,000,000	-7,611,000	4	-499,000	1,890,000	-81

Sources: Air Force (data); GAO (analysis).

^aOther reductions include rescissions (or congressionally directed actions) and above-threshold reprogrammings.

The five programs in each of the three military departments and MDA with the largest funding reductions and additions through BTRs during fiscal year 2003 are shown in tables 4 and 5.¹² Additional details are shown in appendix III, tables 10-17. Again, patterns vary from year to year, as a comparison of these appendix tables shows.

Table 4: Top 5 Dollar-Value Programs: BTR Reductions in Fiscal Year 2003

Organization	Reductions
Air Force	
Joint Strike Fighter Engineering and Manufacturing Development	-\$24,177,000
C-130 Airlift Squadrons	-21,037,000
Intercontinental Ballistic Missile-Engineering and Manufacturing Development	-17,957,000
B-2 Advanced Technology Bomber	-17,770,000
Large Aircraft InfraRed Counter Measures	-10,833,000
Army	
Logistics and Engineer Equipment-Engineering Development	-8,677,000
Support of Operational Testing	-7,822,000
End Item Industrial Preparedness Activities	-6,127,000
Combat Feeding, Clothing, and Equipment	-5,420,000
Artillery Systems-Demonstration/Validation	-5,199,000
Navy	
V-22A	-21,492,000
Power Projection Advanced Technology	-11,806,000
Warfighter Sustainment Advanced Technology	-9,531,000
Guided Missile Submarine Design	-9,402,000
Radio Frequency Systems Advanced Technology	-9,175,000

¹² A program with BTRs may have experienced a net loss, a net gain, or no change in funds, depending on how the BTRs were applied.

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Organization	Reductions
MDA	
Ballistic Missile Defense System	-121,249,000
Theater High Altitude Area Defense System-Theater Missile Defense- Engineering and Manufacturing Development	-61,318,000
Midcourse Defense Segment	-50,273,000
Sensors	-31,497,000
Boost Defense Segment	-26,119,000

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Notes: Dollar amounts are not net values. This table only shows BTR reductions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

Office of the Secretary of Defense data were not available.

Table 5: Top 5 Dollar-Value Programs: BTR Additions in Fiscal Year 2003

Organization	Additions
Air Force	
C-5 Airlift Squadrons	\$11,000,000
KC-10S	10,220,000
Initial Operational Test & Evaluation	10,153,000
Endurance Unmanned Aerial Vehicles	9,898,000
Advanced Weapons Technology	9,500,000
Army	
Combat Vehicle and Automotive Advanced Technology	9,999,000
Joint Simulation System Core Program	9,555,000
Technical Information Activities	8,919,000
Advanced Tank Armament System	6,004,000
Army Evaluation Center	5,903,000
Navy	
Power Projection Advanced Technology	18,018,000
Guided Missile Submarine Design	13,194,000
Special Processes	12,800,000
Research, Development, Test and Evaluation Ship and Aircraft Support	10,347,000
Other Helicopter Development	10,199,000

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Organization	Additions
MDA	
Ballistic Missile Defense System	126,078,000
Midcourse Defense Segment	60,281,000
Theater High Altitude Area Defense System-Theater Missile Defense-Engineering and Manufacturing Development	60,026,000
Sensors	33,163,000
Boost Defense Segment	18,447,000

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Notes: Dollar amounts are not net values. This table only shows BTR additions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

Office of the Secretary of Defense data were not available.

Funds taken from programs through BTRs may be applied to multiple other programs. For example, in 2003, the Air Force and the Navy reprogrammed a combined total of about \$29 million from the Joint Strike Fighter to 15 other programs. Additional details are provided in appendix III, tables 18-21. Similarly, the Army reprogrammed almost \$8.7 million from the Logistics and Engineer Equipment Program to 12 other programs in fiscal year 2003, and the Navy reprogrammed almost \$21.5 million from the V-22 aircraft program to 8 other programs.

Overall, 76 percent of all research and development programs had at least 1 BTR, and 54 percent had more than 1, and 14 percent had 6 or more in fiscal year 2003, as table 6 shows. The Navy and MDA had more programs with substantial numbers of BTRs than did the Air Force or the Army. Specifically, 27 percent of Navy programs and 66 percent of MDA programs had 6 to 35 or more BTRs. Only 3 percent and 6 percent of Air Force and Army programs, respectively, had this many. Additional details are shown in table 7 and in appendix III, tables 22 and 23.

Table 6: Percentage of Programs with BTRs in Fiscal Year 2003

Organization	0 BTRs	1 BTR	2-5 BTRs	6-15 BTRs	16-35 or more	Total percentage
Air Force	29	30	38	3	0	100
Army	28	25	40	6	0	99 ^a
Navy	14	14	44	23	5	100
MDA	17	0	17	17	50	101 ^a
Total	23	22	40	11	3	99^a

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Notes: Office of the Secretary of Defense data were not available.

^aTotal percentages do not add to 100 because of rounding.

Table 7: Number of Programs with BTRs in Fiscal Year 2003

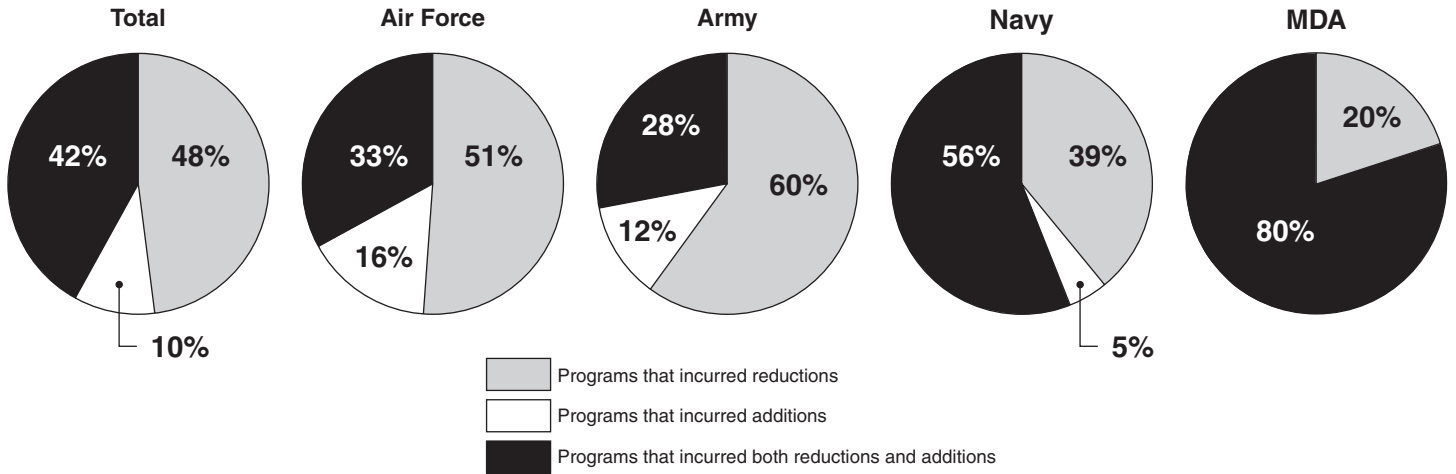
Organization	0	1	2	3	4	5	6-10	11-15	16-20	21-25	26-30	31-35	35 or more	Total
Air Force	51	52	27	24	10	5	3	2	0	0	0	0	0	174
Army	47	42	29	23	7	7	8	2	0	0	0	0	0	165
Navy	28	28	35	23	21	6	29	15	6	1	1	0	1	194
MDA	2	0	1	1	0	0	1	1	0	2	1	0	3	12
Total	128	122	92	71	38	18	41	20	6	3	2	0	4	545

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Note: Office of the Secretary of Defense data were not available.

As figure 3 shows, 42 percent of programs had both BTR reductions and additions in fiscal year 2003. The percent of such programs ranged from 28 percent in the Army to 80 percent in MDA. Additional details are shown in appendix III, figure 5 and tables 24-32. Patterns vary from year to year, as those tables show.

Figure 3: Percentage of Programs with Only BTR Reductions, Only BTR Additions, and Both BTR Reductions and Additions in Fiscal Year 2003



Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Note: Office of the Secretary of Defense data were not available.

In fiscal year 2003, the DOD organizations we reviewed withheld a total of about \$2.8 billion in appropriated funds. The amounts withheld varied widely, as table 8 shows. MDA officials said that while MDA does not always release all appropriated funds immediately to its programs, MDA does not consider such non-releases to be withholds and did not provide this data to us. The Office of the Secretary of Defense, which withheld substantially more than other organizations, accounted for 56 percent of the total amount withheld. Withholds amounts for fiscal year 2002 are in appendix III, table 33.

Table 8: Dollar Value of Withholds for Fiscal Year 2003 Programs

Organization	Value of withholds
Air Force	\$149,342,000
Army	475,710,000
Navy	626,055,000
MDA	N/A ^a
Office of the Secretary of Defense	1,580,443,000
Total	\$2,831,550,000

Sources: Air Force, Army, Navy, MDA, Office of the Secretary of Defense (data); GAO (analysis).

^aMDA officials said that they did not withhold funds from MDA programs.

DOD's Rationale for BTRs and Withholds

The military departments, MDA, and Office of the Secretary of Defense officials cited several reasons for implementing BTRs and withholds. Generally, the reasons involved accommodating unanticipated changes or events, implementing congressional mandates, and, in the case of some withholds, controlling the execution of individual programs.

Unanticipated Changes or Events

Officials from each of the DOD organizations noted that because they need to estimate research and development program needs and budgets 2 or more years in advance of receiving appropriated funds, by the time the funds are actually received, factors upon which estimates are based may have changed and unforeseen events may have occurred. Officials also noted that current levels of flexibility are too limited given the adjustments that may be needed to deal with such changes. For example, testing on a program may have been accelerated or delayed; new requirements may have arisen; design changes may be required; a program's costs may have increased; new technologies may have emerged; priorities may have shifted; and unexpected events, such as operations in Afghanistan and Iraq, may have occurred. Consequently, funding changes may be needed after funds are appropriated.

Military department and MDA officials stated that having the flexibility to adjust funding in such circumstances allows them to make better use of available funds by fixing a problem promptly, taking advantage of an opportunity, or responding to an unexpected contingency. For example, in fiscal year 2003, the Air Force reprogrammed almost \$10 million to the KC-10S program to address unexpected cost increases in the cockpit modernization program. According to Air Force officials, obtaining these

funds when they were needed avoided contract and schedule issues that would have been detrimental to the program. Ultimately in this case, the cockpit modernization program continued to experience unexpected cost increases and schedule slippages, and the Air Force later cancelled the program. In another example, Army officials stated that the presence of improvised explosive devices in the Iraq conflict has made explosive disposal robots more important than the budget preparation process anticipated 3 years ago. They noted that the Army is using some of its BTR flexibility to address this higher priority need.

Military department officials told us they also withhold funds for unexpected events or opportunities that may arise during the fiscal year. These withheld funds are then available for reprogramming as needed. For example, the Army withheld and subsequently reprogrammed about 2.3 percent of funds from most programs in fiscal year 2003 to cover expenses of ongoing operations. Officials said that this is the only year the Army instituted a general withhold on its programs. The Navy withheld 2 percent from most research and development programs in fiscal year 2002 and 1 percent in fiscal year 2003. These funds were used to address unexpected contingencies and emerging technological requirements. While Air Force officials stated that they do not routinely withhold funds from all programs, the Air Force Research Laboratory withholds about 5 percent from all laboratory programs to provide for its headquarters unit. The Office of the Secretary of Defense, Research and Development, withholds and subsequently reprograms as necessary about 10 percent from the research and development programs it manages to provide for contingencies and to cover reductions resulting from statutory requirements.

Implementing Statutory Obligations

Military department officials also use withholds to fund statutory obligations. For example, DOD is required by statute to set aside research and development funds for small business concerns to conduct research projects that have the potential for commercialization. Two programs are supported with these funds: the Small Business Innovation Research Program, which stimulates early-stage research and development by small business concerns; and the Small Business Technology Transfer Program, which funds cooperative research and development projects involving a small business and a research institution. The military departments and MDA vary in the way they set aside the funds for these statutory obligations. This variation provides these organizations with additional flexibility in adjusting appropriated research and development funds. In 2003, the Army and the Navy exempted some intelligence programs from

the Small Business Innovation Research and the Small Business Technology Transfer assessments. They then withheld the funds needed to cover these assessments from the remaining programs. Air Force officials informed us that they reallocate the assessments during the fiscal year to adjust funds available to programs. For example, in fiscal year 2002, the Air Force used a BTR to restore the Small Business Innovation Research assessment it had earlier made against the B-2 program, to provide the program with more money. Other programs were assessed a higher amount to make up the difference.

In addition, military department officials use withholds to allocate rescissions and reductions that are included in appropriations acts and cancel appropriated funding.¹³ Rescissions or reductions may apply specifically to some or all research and development accounts or across-the-board to other appropriations accounts. For example, for fiscal year 2003, because of a change in projected inflation estimates, Congress directed a reduction of \$1.4 billion across all operations and maintenance, procurement, and research and development appropriations accounts, with the reduction to be applied proportionally to each program within each account.¹⁴ To implement this reduction, the Air Force and Navy used withholds to reduce research and development programs' appropriations by \$105.6 million and \$78.2 million, respectively.

Officials from the Office of the Secretary of Defense noted that they withhold funds from research and development programs to make certain programs achieve a particular milestone or other event and to assure that additional funds appropriated by Congress beyond the program's requested budget reach the intended program and can be used effectively. For example, the Office of the Secretary of Defense sometimes withholds a portion of a program's appropriation to assure the program completes a report, accomplishes a test, or complies in some other way with headquarters' direction. Often, these withholds are in response to a congressional directive contained in authorization or appropriations report language. Funds are usually released once the program has accomplished the required task. Each year, Congress adds funds to certain programs' requested budgets. Officials observed that there is often some uncertainty

¹³ Specifically, rescissions and reductions cancel appropriated funding by canceling the availability of budget authority provided by law before the authority would otherwise lapse.

¹⁴ P. L. 107-248, section 8135(a).

as to which program Congress intended these funds to benefit and whether those programs can effectively use the funds. Consequently, they withhold the funds until they can determine which programs are to receive the additional funds and to ensure that those programs can use the money effectively before releasing the funds. In fiscal year 2002, these types of withholds represented a large percentage of the Office of the Secretary of Defense withholds, amounting to nearly \$2.7 billion. However, the Office of the Secretary of Defense has subsequently reduced its withholds of congressional additions, while some of the departments have increased theirs.

Managers Have Adopted Strategies for Anticipating BTRs and Withholds

DOD, military department, MDA, and program officials informed us that while they can expect with some confidence that reprogramming and withholds will occur during the budget year, they cannot predict the timing or amount. In anticipation of these funding adjustments, program and military department officials noted that program budgets are often increased during preparation. While this does not appear to be an unusual practice, we did not assess its extent or magnitude. This practice allows programs to perform at planned levels if and when these actions actually occur. Program officials stated that in cases for which anticipated reductions were underestimated, schedules are sometimes slowed down in response to BTRs and withholds. For example, tests or other scheduled events may be delayed until withheld funds are released or the funds lost through BTRs are paid back. If funds are not paid back, program schedules may be permanently slowed. For example, according to Air Force officials, when the Air Force reduced the C-130 avionics modernization program's by \$35 million in fiscal year 2003, the program manager extended the development program and renegotiated the development contract.

Funds also may be informally held back after they have been released to programs. That is, program managers may be told not to spend some portion of the funds that have actually been released to their programs in order to provide funds for later reprogramming. This differs from withholds because withholds can only be implemented before funds are released to programs. The informal holding back of funds occurs after funds are released, is done verbally, and is not recorded. This essentially creates a pool of reserved funds that can be used to meet anticipated but not fully identified requirements. MDA officials informed us that the Office of the Secretary of Defense requires them to informally hold millions of dollars each year in anticipation of the annual omnibus reprogramming. Omnibus reprogramming is a compilation of several above-threshold

reprogrammings sent to Congress late in the fiscal year. For example, in fiscal year 2003, the Office of the Secretary of Defense required MDA to informally hold about \$23 million and later used about \$6 million of this money for omnibus reprogramming. The remaining funds were then released to MDA.

Recent Congressional Direction for Better Information

Congress has continued to express concerns about how DOD is adjusting funding for research and development programs and about the adequacy of information from DOD about such actions. Congress recently revised its guidance to DOD on reprogramming and withholding appropriated funds for research and development and on keeping Congress adequately informed about such actions.

For fiscal year 2004, congressional guidelines had tightened the threshold for decreases to \$10 million or 20 percent of the program's appropriation, whichever was *less*, rather than the *greater* provision of fiscal year 2003.¹⁵ For fiscal year 2005, Congress maintained the tightened thresholds of 2004 and added new direction on the reprogramming and withholding of appropriated funds for research and development programs.

Furthermore, Congress directed DOD to provide better information on reprogrammings and withholds both in the short- and the long-term. Specifically, Congress directed:

- the Secretary of Defense to provide data by January 31, 2005, on the adequacy and use of the DOD's current reprogramming and withholding practices;
- DOD to work with congressional defense committees on a method providing timely and accurate data on reprogramming activity (both below and above the threshold) and the application of statutory and administrative withholds;

¹⁵ Memorandum from DOD Comptroller, Nov. 4, 2003, FY 2004 *Below Threshold Reprogramming (BTR) Authority Policy*, implementing direction of H.R. Conf. Rep. No. 108-283, at 60.

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- that reprogramming data be available on a least a monthly basis, potentially in conjunction with DOD's DD 1002 reports; and
 - that DOD should transmit the data electronically, if feasible, to congressional defense committees.¹⁶

Conclusions

DOD has a legitimate need for a degree of flexibility to adjust the funding levels designated for individual research and development programs. Congress has a legitimate need to maintain oversight over the funds it has appropriated. Ideally, both sets of needs can be met through a combination of approval thresholds for adjusting funding levels and reports on how funds have been adjusted. However, DOD has not provided information of sufficient quality and detail to Congress on how it adjusts appropriated research and development funds through BTRs and withholds. In reaction, Congress has tightened thresholds to a level of flexibility DOD officials believe is too limited.

In passing the fiscal year 2005 DOD Appropriations Act, Congress has directed DOD to take several actions to improve the information it provides to Congress regarding DOD's use of reprogrammings and withholds. The direction for DOD and the congressional defense committees to work together provides an excellent opportunity for DOD to make changes that can serve the needs of both Congress and DOD. These changes may not be difficult to make, as much of the desired information already exists within DOD and some of the existing data collection systems are already automated and contain more detailed information than currently reported. How DOD responds to this direction will be critical to realizing this opportunity.

Agency Comments and Our Evaluation

DOD provided us with written comments on a draft of this report. The comments appear in appendix II.

DOD commented that our report should note more prominently that we found no evidence the department violated existing congressionally approved reprogramming thresholds. DOD expressed concern that Congress had a misconception that the department had violated existing

¹⁶ H.R. Conf. Rep. No. 108-622, at 68.

thresholds and policies and had used the BTR process to initiate new start programs. DOD disagreed that its recent reports to Congress provide BTR information of limited quality and cited other information it provides to Congress in addition to the DD 1416. It pointed out that the formats for the information were developed with and approved by committee staff to satisfy Congress's needs. DOD did note that the issues we raised on the quality of information it provides can be addressed, and that DOD was open to suggestions and will gladly work with the committee staff to satisfy its needs.

DOD offered several suggestions to put the findings of the report more in context. These included providing the percentage value of BTRs along with the dollar value, and noting the reasons DOD uses BTRs. DOD also noted that the issue of withholds is separate from BTRs and that they are used primarily to temporarily hold funding from execution until adequate justification is provided that the resources will be executed efficiently and effectively as intended by Congress. DOD stated that it was unaware of the practice of increasing of budget requests to cover anticipated BTRs and withholds and that this was against DOD policy.

DOD's willingness to work with Congress is a constructive response that can lead to reporting changes that can meet the needs of both Congress and DOD. While current reporting formats may have been developed with committee staff to meet its needs, recent congressional direction suggest these needs have changed. Congress has required DOD to provide better and more timely information on reprogramming and withhold activities. We have clarified the language in the report that we did not observe any instances in which DOD's use of BTRs exceeded thresholds, but we cannot be conclusive on this point as we did not design steps to assess compliance with thresholds. The same observation and qualification applies to whether BTRs were used to start new programs.

We did analyze the additional information DOD provides to Congress on BTRs, specifically budget exhibits and monthly accounting reports. However, in their current format, these reports do not provide detailed information on individual BTRs or any information on withholds. To provide additional context for our findings, we have added the percentage value of BTRs in addition to their total dollar value, however, we do not believe it is necessary for individual programs. While the draft report does present the reasons DOD uses BTRs and withholds, we have added language earlier in the report to highlight these reasons. We believe the distinction between BTRs and withholds is adequately clear in the report.

We note that while withholds are used to ensure programs are properly executed, we did find instances in which withholds were used to make funds available for reprogramming.

We are sending copies of this report to the Secretary of Defense; the Secretaries of the Army, the Navy, and the Air Force; the Director, Missile Defense Agency; and interested congressional committees. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff has any questions concerning this report, please contact me at (202) 512-4841 or D. Catherine Baltzell at (202) 512-8001. Other contacts and key contributors are listed in appendix IV.



Paul L. Francis
Director
Acquisition and Sourcing Management

Scope and Methodology

To determine the quality of the information available about the Department of Defense's (DOD) use of below-threshold reprogrammings (BTR) and withholds, we reviewed the DOD Financial Management Regulation and recent congressional guidelines on reprogramming and withholds; various DOD internal reports and reports to Congress; and data from financial management systems recorded for the research and development programs from the Army, Air Force, Navy, and Missile Defense Agency (MDA). We reviewed DOD policy and interviewed decision makers to gain an understanding of how various reports are prepared and to obtain information about BTRs and withholds. Our interviews included officials in the research and development and financial management offices of the Air Force, Army, Navy and MDA; financial management and acquisition policy decision maker offices including the Office of the Secretary of Defense (Comptroller); Office of the Director of Defense Research and Engineering, Director of Plans and Programs; Assistant Secretary of the Air Force for Acquisition; Office of the Naval Research Controller; Aeronautical Systems Command Financial Management office; Air Force Research Labs Headquarters, Propulsion Directorate, and Sensors Directorate; Assistant Secretary of the Army for Financial Management and Comptroller, Investment Division-Army Budget Office; Deputy Assistant Secretary of the Army, for Plans, Programs, and Resources Office; Army Science and Technology Integration Office; and Army Research Laboratory Headquarters. In accordance with federal internal control standards, we defined quality of information as measured by such factors as timeliness, accessibility, accuracy, and appropriateness of content.

In addition, we interviewed program officials and collected data from 13 research and development programs: Air Force (5), Army (4), and Navy (4). The programs were selected on the basis of three criteria: a laboratory, a program with significant net reduction or addition of funds through BTRs, and a program with a relatively high number of both reductions and additions of funds through BTRs. We interviewed program officials for the Air Force's C-130 Airlift and C-130J, and KC-10S; the Air Force Research Lab's Aerospace Propulsion and Aerospace Sensor's Labs; the Army's Tactical Unmanned Aerial Vehicles, and Line-of-Sight Anti-Tank Missile program offices; the Army's Research Lab's Weapons and Materials Research, and Survivability/Lethality Directorates; the Navy's Ocean Engineering Technology Development, and Consolidated Training Systems Development Program; the Office of Naval Research Systems Advanced Technology program; and the Naval Ship and Aircraft Support program.

To determine the amount and volume of BTRs and withheld funds, we obtained available data from the Air Force, Army, Navy, and MDA data collection systems on actual BTRs and withholds and developed an integrated, electronic database on adjustments to designated funding levels for each research and development program. In developing our database, we assessed the reliability of the available data, which includes recognizing the limitations of the data as we have discussed in this report. We performed electronic testing of required data elements, reviewed existing information about the data and the systems that produced them, and interviewed agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purpose of this report. We conducted multiple analyses of BTR amounts and volume. We used readily available, off-the-shelf commercial software to develop and analyze our database. We performed our review from November 2003 to July 2004 in accordance with generally accepted government auditing standards.

Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-3000

SEP 03 2004

Mr. Paul L. Francis
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Mr. Francis:

The Department has reviewed the draft GAO report (04-944) "Defense Acquisition: Better Information Could Improve Visibility Over Adjustments to DoD's Research and Development Funds," dated August 10, 2004 (GAO Code 120280/GAO-04-944) and has several comments and concerns. The report should prominently note that the GAO found no evidence the Department violated existing Congressionally approved reprogramming thresholds. The current statement "Although we did not design steps to assess whether below threshold reprogrammings (BTRs) exceeded the threshold, we did not observe any instances of this in the data we did analyze" seems too limited and obscure. It appears that the Congress was provided information that led them to believe that the Department had violated existing thresholds and policies, and used the BTR process to initiate new start programs, therefore it is critical that GAO correct this misconception.

The Department disagrees that its recent reports to the Congress provide BTR information of limited quality. The issues raised in the GAO report, such as timing, classification, and method of calculation (subtraction vs addition), can be addressed: The Department is open to suggestions and will gladly work with the committees to provide more meaningful data, but it should be noted that the formats used were developed and approved with the committee staff to satisfy their needs. Further, the total BTRs in FY 2003, which the draft report now notes are less than \$1B, comprise 2% of the R&D funding for Army, Navy, Air Force and MDA. And if MDA is separated out, the amount of BTRs in the Military Departments is only 1.6% of their total R&D funding.

Further, the issue of withholds is separate from BTRs and that difference should be made clearer in the report.



The report states the Department's primary vehicle for reporting BTRs to the Congress (DD 1416) has limitations that reduce its value as a source of information. The first paragraph on page 7 of the draft report states, that "Until the reports (1416s) were received, Congress was less informed about whether funds were moved from one research and development program to another when considering program budgets the following year." The Department submits budget exhibits (R-2s) in support of the President's Budget Request each year that include tables for each PE that identify funding adjustments from the preceding year's program. Furthermore, the Department provides monthly accounting reports which reflect changing program values. We can run comparison reports if requested.

The Congress recently increased the amount the Department may reprogram [i.e., up to \$10 million in a RDT&E line item]. If there are specific projects that are of special interest to the Congress, the Department designates them as such and provides appropriate attention during execution.

The Department suggests that the report put the findings more in context. Examples include the percentages noted above and providing the total appropriated value of the Joint Strike Fighter when referencing BTRs equaling \$27 million in fiscal year 2003 in order to place the amount in context (i.e., \$3.5B for JSF RDT&E, so \$27M is less than 1%).

Paragraph 2 on page 10 of the report states, that the components may increase budget requests "to cover anticipated BTRs and withholds so programs can continue to perform at planned levels." This is against DoD policy and we are not aware of it as a practice: BTRs and withholds are employed to permit DoD to be a good steward of its financial resources. Withholds are used primarily to temporarily hold funding from execution until the appropriate component can provide adequate justification that the resources will be executed efficiently and effectively as intended by the Congress. As such, withholds are generally not a threat to the program manager's ability to execute the program at planned levels. BTRs are used to enable the components to respond to changing program requirements or to accommodate unanticipated increases in program funding requirements.

In conclusion, the Department would be willing to work with GAO to have the report discuss how to provide better information to improve visibility over adjustments to DoD's R&D funds. The report and its summary should note that DoD uses BTRs to meet unanticipated events and that the GAO found all actions consistent with both current statutes and policies. Further, the accounting system currently in place does provide the Congress the ability to see the net amount of funds that have moved from one account to another in RDT&E,

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although the system does not provide details on every BTR transaction. We would recommend the report discuss the level of BTR and withhold activity within the Department in the larger context so that it clearly reflects the Department's use of this important flexibility provided by the Congress.

Nancy L. Spruill
Nancy L. Spruill
Director, Acquisition Resources
and Analysis

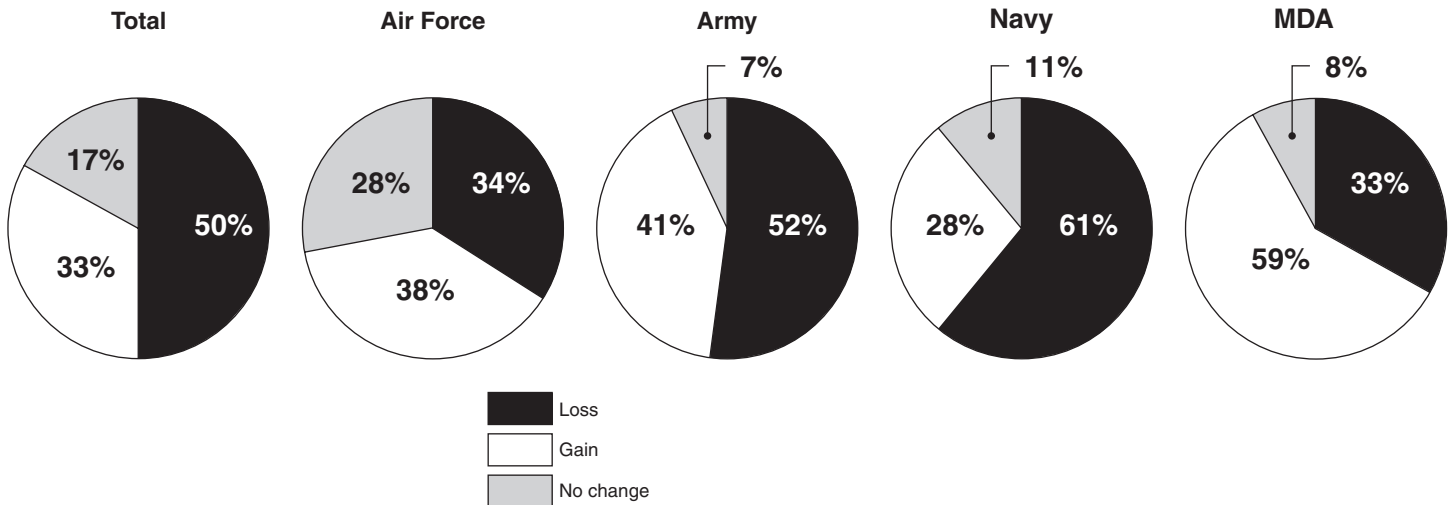
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Table 9: Appropriations for Research and Development Programs

Organization	Appropriation	Number of programs	Lowest designated funding level for a program	Highest designated funding level for a program
Fiscal year 2003				
Air Force	\$18,822,569,000	174	\$313,000	\$1,733,668,000
Army	7,699,656,000	165	489,000	914,932,000
Navy	13,699,864,000	194	422,000	1,747,250,000
MDA	6,896,186,000	12	7,457,000	3,185,504,000
Office of the Secretary of Defense	2,381,413,000	64	700,000	263,058,000
Total	\$49,499,688,000	609	Not applicable	Not applicable
Fiscal year 2002				
Air Force	14,699,931,000	163	472,000	881,556,000
Army	7,106,074,000	168	785,000	787,866,000
Navy	11,335,350,000	198	428,000	769,759,000
MDA	7,069,425,000	12	6,571,000	3,820,534,000
Office of the Secretary of Defense	1,711,504,000	58	1,165,000	250,877,000
Total	\$41,922,284,000	599	Not applicable	Not applicable

Sources: Air Force, Army, Navy, MDA, Office of the Secretary of Defense (data); GAO (analysis).

Figure 4: Percentage of Programs with BTRs That Resulted in a Net Loss, Net Gain, or No Change in Funding in Fiscal Year 2002



Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Note: Office of the Secretary of Defense data not available.

Table 10: Top 10 Air Force Programs with BTR Reductions in Dollars for Fiscal Years 2003 and 2002

Value of BTR reductions			
Program name	2003	Program name	2002
Joint Strike Fighter Engineering and Manufacturing Development	-\$24,177,000	B-2 Advanced Technology Bomber	-\$26,168,000
C-130 Airlift Squadrons	-21,037,000	Joint Strike Fighter Engineering and Manufacturing Development	-19,637,000
Intercontinental Ballistic Missile-Engineering and Manufacturing Development	-17,957,000	Navigational Satellite Timing and Ranging Global Positioning System III	-10,578,000
B-2 Advanced Technology Bomber	-17,770,000	Intercontinental Ballistic Missile-Engineering and Manufacturing Development	-10,478,000
Large Aircraft InfraRed Counter Measures	-10,833,000	C-130 Airlift Squadrons	-8,675,000
Fighter Tactical Data Link	-8,758,000	Satellite Control Network (Space)	-8,458,000
C-130J Program	-7,611,000	Large Aircraft InfraRed Counter Measures	-8,155,000
B-1B	-7,270,000	Endurance Unmanned Aerial Vehicles	-8,035,000

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Value of BTR reductions

Program name	2003	Program name	2002
Region/Sector Operations Control Center	-6,741,000	Joint Direct Attack Munition	-7,821,000
Advanced Extremely High Frequency Military Satellite Communications (Space)	-6,499,000	Aerospace Propulsion	-5,500,000

Sources: Air Force (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR reductions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

Table 11: Top 10 Air Force Programs with BTR Additions in Dollars for Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
C-5 Airlift Squadrons	\$11,000,000	B-2 Advanced Technology Bomber	\$21,541,000
KC-10S	10,220,000	C-5 Airlift Squadrons	10,190,000
Initial Operational Test & Evaluation	10,153,000	Joint Surveillance Target Attack Radar System	8,139,000
Endurance Unmanned Aerial Vehicles	9,898,000	Military Strategic and Technical Relay Low Data Rate/Medium Data Rate Satellite Communications (Space)	7,928,000
Advanced Weapons Technology	9,500,000	Navigational Satellite Timing and Ranging Global Positioning System (Space)	6,653,000
Large Aircraft InfraRed Counter Measures	9,455,000	Joint Expeditionary Force Experiment	6,530,000
Support Systems Development	8,949,000	Small Diameter Bomb (Demonstration/Validation)	6,300,000
Joint Surveillance Target Attack Radar System	8,830,000	Support Systems Development	6,000,000
Civilian Compensation Program	7,132,000	KC-10S	5,986,000
Nuclear Detonation Detection System (Space)	5,600,000	Global Combat Support System	5,887,000

Sources: Air Force (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR additions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

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Table 12: Top 10 Army Programs with BTR Reductions in Dollars for Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Logistics and Engineer Equipment-Engineering Development	-\$8,677,000	Other Missile Product Improvement Programs	-\$13,207,000
Support of Operational Testing	-7,822,000	Global Combat Support System	-12,258,000
End Item Industrial Preparedness Activities	-6,127,000	Landmine Warfare/Barrier-Engineering Development	-12,252,000
Combat Feeding, Clothing, and Equipment	-5,420,000	Brilliant Anti-Armor Submunition	-12,072,000
Artillery Systems-Demonstration/Validation	-5,199,000	Support of Operational Testing	-7,428,000
Night Vision Systems-Engineering Development	-4,878,000	Joint Network Management System	-4,031,000
Major Test & Evaluation Investment	-4,090,000	Management Headquarters (Research & Development)	-4,008,000
Aircraft Avionics	-3,570,000	Night Vision Systems-Engineering Development	-3,717,000
Digitization	-3,464,000	Joint Tactical Radio	-3,600,000
Line-of-Sight Anti-Tank Missile	-3,051,000	Artillery Systems-Demonstration/Validation	-2,619,000

Sources: Army (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR reductions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

Table 13: Top 10 Army Programs with BTR Additions in Dollars for Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Combat Vehicle and Automotive Advanced Technology	\$9,999,000	Logistics and Engineer Equipment-Engineering Development	\$6,006,000
Joint Simulation System Core Program	9,555,000	Technical Information Activities	4,596,000
Technical Information Activities	8,919,000	Army Test Ranges and Facilities	4,003,000
Advanced Tank Armament System	6,004,000	Global Surveillance/Air Defense/Precision Strike Technology Demonstration	4,000,000
Army Evaluation Center	5,903,000	Artillery Systems-Engineering and Manufacturing Development	4,000,000
Armored Systems Modernization-Engineering Development	4,599,000	Line-of-Sight Anti-Tank Missile	3,999,000
Logistics and Engineer Equipment-Advanced Development	3,912,000	Landmine Warfare	3,999,000

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Program name	2003	Program name	2002
Artillery Systems-Engineering and Manufacturing Development	3,900,000	Missile and Rocket Advanced Technology	3,999,000
Joint Service Small Arms Program	3,500,000	Landmine Warfare and Barrier-Advanced Development	3,999,000
Firefinder	3,500,000	Multiple Launch Rocket System Product Improvement Program	3,999,000

Sources: Army (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR additions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

Table 14: Top 10 Navy Programs with BTR Reductions in Dollars for Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
V-22A	-\$21,492,000	V-22A	-\$16,915,000
Power Projection Advanced Technology	-11,806,000	Joint Strike Fighter	-13,546,000
Warfighter Sustainment Advanced Technology	-9,531,000	Radio Frequency Systems Advanced Technology	-13,013,000
Guided Missile Submarine Design	-9,402,000	Multi-Mission Maritime Aircraft	-11,115,000
Radio Frequency Systems Advanced Technology	-9,175,000	Undersea Warfare Advanced Technology	-9,632,000
Tactical Command System	-8,546,000	New Design SSN	-8,800,000
Surface and Shallow Water Mine Countermeasure	-7,977,000	Warfighter Sustainment Advanced Technology	-8,615,000
Consolidated Training Systems Development	-6,890,000	SC-21 Total Ship System Engineering	-8,567,000
Common Picture Advanced Technology	-6,657,000	Land Attack Technology	-8,053,000
Force Protection Advanced Technology	-6,070,000	Ship Contract Design/Live Fire Test & Evaluation	-7,371,000

Sources: Navy (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR reductions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

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Table 15: Top 10 Navy Programs with BTR Additions in Dollars for Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Power Projection Advanced Technology	\$18,018,000	Radio Frequency Systems Advanced Technology	\$15,911,000
Guided Missile Submarine Design	13,194,000	Land Attack Technology	11,547,000
Special Processes	12,800,000	Warfighter Sustainment Advanced Technology	10,287,000
Research, Development, Test & Evaluation Ship and Aircraft Support	10,347,000	Navy Information Technology Development/Modification	7,353,000
Other Helicopter Development	10,199,000	Marine Corps Advanced Technology Demonstration	7,110,000
Electronic Warfare Development	10,019,000	Force Protection Advanced Technology	7,075,000
Ocean Engineering Technology Development	10,000,000	Research, Development, Test & Evaluation Ship and Aircraft Support	5,679,000
Force Protection Advanced Technology	9,685,000	V-22A	5,375,000
Warfighter Sustainment Advanced Technology	9,188,000	Common Picture Advanced Technology	5,084,000
Radio Frequency Systems Advanced Technology	8,809,000	Navy Warfighting Experiments and Demonstrations	4,874,000

Sources: Navy (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR additions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

Table 16: Top 10 MDA Programs with BTR Reductions in Dollars for Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Ballistic Missile Defense System	-\$121,249,000	Midcourse Defense Segment	-\$123,849
Theater High Altitude Area Defense System-Theater Missile Defense-Engineering and Manufacturing Development	-61,318,000	Ballistic Missile Defense System	-61,267
Midcourse Defense Segment	-50,273,000	Sensors	-37,785
Sensors	-31,497,000	Theatre High Altitude Area Defense System-Theater Missile Defense-Engineering and Manufacturing Development	-33,343
Boost Defense Segment	-26,119,000	Ballistic Missile Defense Boost Defense Segment	-30,907
Terminal Defense Segment	-14,785,000	Navy Area	-16,897
Ballistic Missile Defense Technology	-13,777,000	Terminal Defense Segment	-7,360

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Program name	2003	Program name	2002
Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	-10,252,000	Ballistic Missile Defense Technology	-5,303
Medium Extended Air Defense System Demonstration/Validation	-6,440,000	Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	-3,701
Management Headquarters-Missile Defense Agency	-160,000	Pentagon Reservation	-2,471

Sources: MDA (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR reductions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

Table 17: Top 10 MDA Programs with BTR Additions in Dollars for Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Ballistic Missile Defense System	\$126,078,000	Midcourse Defense Segment	\$131,035
Midcourse Defense Segment	60,281,000	Ballistic Missile Defense System	65,145
Theater High Altitude Area Defense System-Theater Missile Defense-Engineering and Manufacturing Development	60,026,000	Boost Defense Segment	38,411
Sensors	33,163,000	Sensors	28,077
Defense Boost Defense Segment	18,447,000	Ballistic Missile Defense Technology	12,456
Ballistic Missile Defense Technology	16,983,000	Theater High Altitude Area Defense System-Theater Missile Defense-Engineering and Manufacturing Development	10,758
Terminal Defense Segment	15,467,000	Management Headquarters-Missile Defense Agency	10,270
Management Headquarters-Missile Defense Agency	10,078,000	Terminal Defense Segment	6,879
Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	0	Navy Area	2,456
Medium Extended Air Defense System Demonstration/Validation	0	Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	10

Sources: MDA (data); GAO (analysis).

Note: Dollar amounts are not net values. This table only shows BTR additions. Both BTR reductions and BTR additions must be taken into account to determine the net value of BTRs for a program. A program's net value of BTRs may not exceed the BTR threshold.

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Table 18: Joint Strike Fighter (Air Force) Had 11 BTR Reductions, 5 BTR Additions for Fiscal Year 2003

BTR reductions: Total -\$24,177,000		BTR additions: Total \$500,000	
Recipient program	Value	Donor program	Value
F-22 Squadrons	-\$3,999,000	F-16 Squadrons	\$100,000
Multi-sensor Command and Control Constellation	-3,999,000	B-52 Squadrons	50,000
F-22 Squadrons	-3,900,000	Joint Air-to-Surface Standoff Missile	250,000
Warfighter Rapid Acquisition Program	-3,999,000	Combat Training Ranges	50,000
F-15E Squadrons	-2,000,000	Hard and Deeply Buried Target Defeat System	50,000
Life Support Systems	-2,160,000		
A-10 Squadrons	-1,758,000		
Joint Direct Attack Munition	-440,000		
F-117A Squadron	-450,000		
Advanced Medium Range Air-to-Air Missile	-970,000		
Electronic Warfare Development	-502,000		

Sources: Air Force (data); GAO (analysis).

Note: For fiscal year 2003, BTRs with a net value greater than \$10 million were still within the threshold for BTR reductions if the net value did not exceed 20 percent of the program's designated funding.

Table 19: Joint Strike Fighter (Air Force) Had 10 BTR Reductions, Zero BTR Additions for Fiscal Year 2002

BTR reductions: Total -\$19,635,932		BTR additions: Total 0	
Recipient program	Value	Donor program	Value
Rand Project Air Force	-\$3,999,000		
A-10 Squadrons	-3,922,000		
Joint Direct Attack Munition	-683,000		
Joint Air-to-Surface Standoff Missile	-3,999,999		
Joint Surveillance Target Attack Radar System	-250,000		
Distributed Common Ground Systems	-500,000		
Joint Surveillance Target Attack Radar System	-150,000		

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BTR reductions: Total -\$19,635,932		BTR additions: Total 0	
Recipient program	Value	Donor program	Value
Joint Surveillance Target Attack Radar System	-966,933		
F-15E Squadrons	-4,165,000		
Initial Operational Test & Evaluation	-1,000,000		

Sources: Air Force (data); GAO (analysis).

Note: For fiscal year 2002, BTRs with a net value greater than \$4 million were still within the threshold for BTR reductions if the net value did not exceed 20 percent of the program's designated funding.

Table 20: Joint Strike Fighter (Navy) Had 4 BTR Reductions, Zero BTR Additions for Fiscal Year 2003

BTR reductions: Total -\$3,613,000		BTR additions: Total 0	
Recipient program	Value	Donor program	Value
Anti-Submarine Warfare & Other Helicopter Development	-\$1,700,000		
H-1 Upgrades	-849,000		
V-22, and Joint Direct Attack Munition	-694,000		
Anti-Submarine Warfare & Other Helicopter Development	-370,000		

Sources: Navy (data); GAO (analysis).

Note: For fiscal year 2003, BTRs with a net value greater than \$10 million were still within the threshold for BTR reductions if the net value did not exceed 20 percent of the program's designated funding.

Table 21: Joint Strike Fighter (Navy) Had 11 BTR Reductions, Zero BTR Additions for Fiscal Year 2002

BTR reductions: Total -\$13,546,000		BTR additions: Total 0	
Recipient program	Value	Donor program	Value
Electronic Warfare Development	-\$2,943,000		
Joint Precision Approach and Landing System	-2,860,000		
AIM-9X	-1,278,000		
Lapsed Liability	-128,000		
Standards Development	-800,000		
Active Electronically Scanned Array	-1,894,000		

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BTR reductions: Total -\$13,546,000		BTR additions: Total 0	
Recipient program	Value	Donor program	Value
Standards Development	-1,681,000		
Aviation Survivability	-48,000		
Test and Evaluation Support	-608,000		
Carrier Systems Development	-300,000		
Carrier Systems Development	-1,006,000		

Sources: Navy (data); GAO (analysis).

Note: For fiscal year 2002, BTRs with a net value greater than \$4 million were still within the threshold for BTR reductions if the net value did not exceed 20 percent of the program's designated funding.

Table 22: Percentage of Programs with BTRs in Fiscal Year 2002

Organization	0 BTRs	1 BTR	2-5 BTRs	6-15 BTRs	16-35 or more	Total percentage
Air Force	28	29	37	6	0	100
Army	7	12	47	30	5	101 ^a
Navy	9	5	44	28	15	101 ^a
MDA	8	0	8	17	67	100
Total	14	14	42	22	8	100

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

^aTotal percentages do not add to 100 because of rounding.

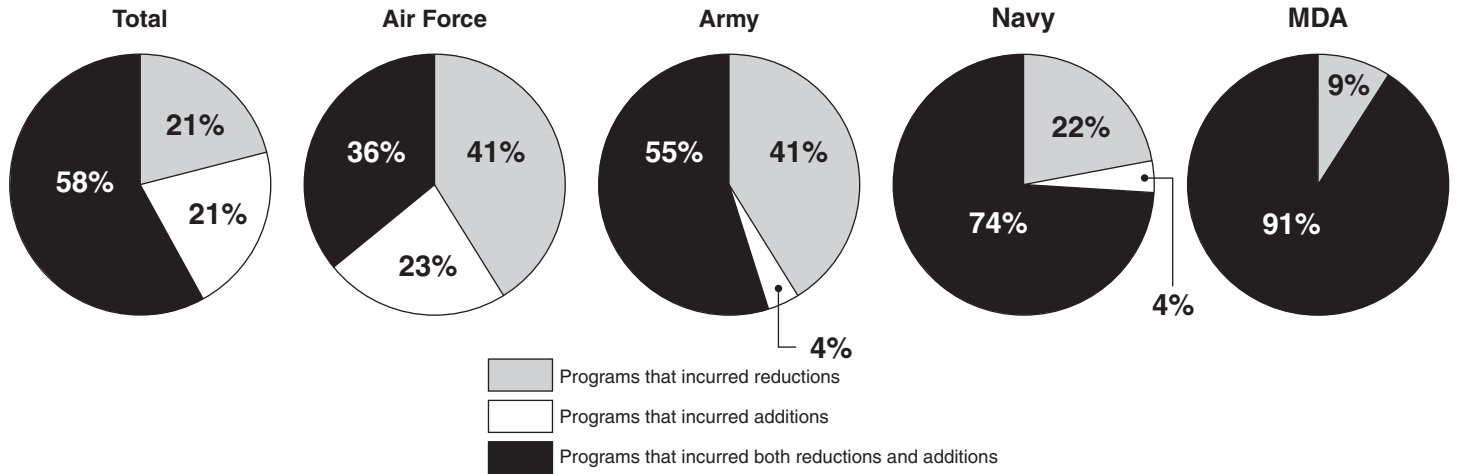
Table 23: Number of Programs with BTRs in Fiscal Year 2002

Organization	0	1	2	3	4	5	6-10	11-15	16-20	21-25	26-30	31-35	35 or more	Total
Air Force	45	47	20	28	8	5	10	0	0	0	0	0	0	163
Army	11	20	15	27	24	13	44	6	6	1	0	1	0	168
Navy	17	9	32	18	27	11	32	23	23	1	2	2	1	198
MDA	1	0	1	0	0	0	2	0	1	2	0	1	4	12
Total	74	76	68	73	59	29	88	29	30	4	2	4	5	541

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

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Figure 5: Percentage of Programs with Only BTR Reductions, Only BTR Additions, and Both BTR Reductions and Additions in Fiscal Year 2002



Sources: Air Force, Army, Navy, (data); GAO (analysis).

Note: Office of the Secretary of Defense data were not available.

Table 24: Top 10 Air Force Programs by Number of BTR Reductions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Joint Strike Fighter Engineering and Manufacturing Development	11	Joint Strike Fighter Engineering and Manufacturing Development	10
Joint Tactical Radio Systems	10	Large Aircraft InfraRed Counter Measures	9
C-130 Airlift Squadrons	6	Joint Direct Attack Munition	7
B-2 Advanced Technology Bomber	6	Satellite Control Network (Space)	7
Large Aircraft InfraRed Counter Measures	6	Navigational Satellite Timing and Ranging Global Positioning System III	7
B-52 Squadrons	5	Test and Evaluation Support	6
Fighter Tactical Data Link	5	B-2 Advanced Technology Bomber	5
C-130J Program	4	Endurance Unmanned Aerial Vehicles	5
CV-22	4	F15E Squadrons	5
Intercontinental Ballistic Missile-Engineering and Manufacturing Development	4	KC-10S	5
B-1B	4	Intercontinental Ballistic Missile-Engineering and Manufacturing Development	5

Sources: Air Force (data); GAO (analysis).

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Table 25: Top 10 Air Force Programs by Number of BTR Additions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Support Systems Development	4	Navigational Satellite Timing and Ranging Global Positioning System (Space)	4
Global Combat Support System	4	Joint Surveillance Target Attack Radar System	4
Endurance Unmanned Aerial Vehicles	3	KC-10S	4
KC-10S	3	Support Systems Development	3
Rand Project Air Force	3	Polar Military Satellite Communications (Space)	3
E-4B National Airborne Operations Center	2	Military Strategic and Technical Relay Low Data Rate/Medium Data Rate Satellite Communications (Space)	3
Life Support Systems	2	Initial Operational Test & Evaluation	3
Joint Direct Attack Munition	2	Wideband Gapfiller System (Research, Development, Test & Evaluation) Space	3
Dragon U-2 (Joint Military Intelligence Program)	2	Global Combat Support System	2
U.S. Air Force Modeling and Simulation	2	Electronic Warfare Development	2
Distributed Common Ground Systems	2	Small Diameter Bomb (Demonstration /Validation)	2
C-5 Airlift Squadrons	2	Armament/Ordnance Development	2
C-17 Aircraft	2	Combat Identification Technology	2
KC-135S	2	F15E Squadrons	2
Intelligence Advanced Development	2	U.S. Air Force Modeling and Simulation	2
Manned Reconnaissance Systems	2	C-5 Airlift Squadrons	2
Theater Battle Management Command, Control, Communications, Computers and Intelligence	2	Joint Direct Attack Munition	2
Common Low Observable Verification	2	Distributed Common Ground Systems	2
Joint Surveillance Target Attack Radar System	2	Airborne Reconnaissance Systems	2
F-15E Squadrons	2	Joint Expeditionary Force Experiment	2
Test and Evaluation Support	2	Advanced Spacecraft Technology	2
Advanced Medium Range Air-to-Air Missile	2	Command, Control, Communication and Intelligence Advanced Development	2
		Theater Battle Management Command, Control, Communications, Computers and Intelligence	2
		Test and Evaluation Support	2

Sources: Air Force (data); GAO (analysis).

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Table 26: Top 10 Army Programs by Number of BTR Reductions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Logistics and Engineer Equipment-Engineering Development	12	Defense Research Sciences	14
End Item Industrial Preparedness Activities	6	End Item Industrial Preparedness Activities	13
Warfighter Advanced Technology	6	Logistics and Engineer Equipment-Engineering Development	13
Medical Technology	6	Global Combat Support System	11
Defense Research Sciences	6	Programwide Activities	11
Military Engineering Technology	5	Support of Operational Testing	10
Combat Feeding, Clothing, and Equipment	5	Environmental Quality Technology Demonstration/Validation	9
Support of Operational Testing	5	Munitions Standardization, Effectiveness and Safety	9
Force XXI Battle Command, Brigade & Below	4	Landmine Warfare and Barrier Advanced Technology	9
Line-of-Sight Anti-Tank Missile	4	Command, Control, Communications Technology	8
Night Vision Systems-Engineering Development	4	Night Vision Systems-Engineering Development	8
		Sensors and Electronic Survivability	8
		Landmine Warfare/Barrier-Engineering Development	8

Sources: Army (data); GAO (analysis).

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Table 27: Top 10 Army Programs by Number of BTR Additions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Technical Information Activities	15	Army Test Ranges and Facilities	29
Advanced Tank Armament System	6	Canceled Account Adjustments	21
Closed Account Adjustment	5	Army Evaluation Center	10
Combat Vehicle and Automotive Advanced Technology	4	University and Industry Research Centers	10
Line-of-Sight Technology Demonstration	4	Sensors and Electronic Survivability	9
Joint Simulation System Core Program	4	Programwide Activities	9
Management Headquarters (Research and Development)	4	Technical Information Activities	8
Programwide Activities	4	Advanced Concepts and Simulation	6
Logistics and Engineer Equipment-Advanced Development	3	Heavy Expanded Mobility Tactical Truck	6
Electronic Warfare Advanced Technology	3	Information Technology Development	5
University and Industry Research Centers	3	Command, Control, Communications Advanced Technology	5
Aircraft Modifications/Product Improvement Program	3		
Digitization	3		

Sources: Army (data); GAO (analysis).

Table 28: Top 10 Navy Programs by Number of BTR Reductions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Marine Corps Ground Combat/Supporting Arms Systems	19	Radio Frequency Systems Advanced Technology	21
Marine Corps Communications Systems	19	Marine Corps Advanced Technology Demonstration	19
Navy Information Technology Development/Modification	17	Warfighter Sustainment Advanced Technology	17
Radio Frequency Systems Advanced Technology	15	Marine Corps Ground Combat/Supporting Arms Systems	17
Common Picture Advanced Technology	13	Marine Corps Communications Systems	16
Warfighter Protection Advanced Technology	12	V-22A	16
Research, Development, Test & Evaluation Ship and Aircraft Support	12	Defense Research Sciences	16
Tactical Command System	11	Satellite Communications (Space)	15
Marine Corps Ground Combat/Support System	11	Navy Information Technology Development/Modification	15

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Program name	2003	Program name	2002
Marine Corps Advanced Technology Demonstration	10	Undersea Warfare Advanced Technology	14
		Carrier Systems Development	13

Sources: Navy (data); GAO (analysis).

Table 29: Top 10 Navy Programs by Number of BTR Additions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Marine Corps Ground Combat/Supporting Arms System	16	Warfighter Sustainment Advanced Technology	19
Research, Development, Test & Evaluation Science and Technology Management	12	Navy Warfighting Experiments and Demonstrations	16
Marine Corps Communications Systems	10	Marine Corps Ground Combat/Supporting Arms System	15
Force Protection Advanced Technology	9	Power Projection Advanced Technology	13
Marine Corps Program Wide Support	9	Radio Frequency Systems Advanced Technology	11
Marine Corps Information Technology Development/Modification	9	Marine Corps Communications Systems	11
Warfighter Sustainment Advanced Technology	8	Force Protection Advanced Technology	11
Navy Warfighting Experiments and Demonstrations	7	Marine Corps Program Wide Support	11
Marine Corps Ground Combat/Support System	7	Marine Corps Information Technology Development/Modification	10
Marine Corps Combat Services Support	6	Common Picture Advanced Technology	9
Undersea Warfare Advanced Technology	6	Force Protection Applied Research	9
Marine Corps Advanced Technology Demonstration	6	Studies and Analysis Support-Navy	9
Undersea Warfare Applied Research	6	Warfighter Sustainment Applied Research	9
Space and Electronic Warfare Architecture/Engineering Support	6	Marine Corps Ground Combat/Support System	9
		Tactical Command System	9

Sources: Navy (data); GAO (analysis).

**Appendix III
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Table 30: Top 10 MDA Programs by Number of BTR Reductions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Ballistic Missile Defense System	129	Ballistic Missile Defense System	170
Theater High Altitude Area Defense System-Theater Missile Defense-Engineering and Manufacturing Development	30	Midcourse Defense Segment	51
Ballistic Missile Defense Technology	18	Boost Defense Segment	41
Midcourse Defense Segment	17	Theater High Altitude Area Defense System-Theater Missile Defense-Engineering and Manufacturing Development	28
Sensors	14	Sensors	27
Boost Defense Segment	12	Terminal Defense Segment	19
Terminal Defense Segment	8	Ballistic Missile Defense Technology	13
Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	3	Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	7
Medium Extended Air Defense System Demonstration/Validation	2	Navy Area	5
Management Headquarters-Missile Defense Agency	1	Management Headquarters-Missile Defense Agency	4

Sources: MDA (data); GAO (analysis).

Table 31: Top 8 MDA Programs by Number of BTR Additions in Fiscal Years 2003 and 2002

Program name	2003	Program name	2002
Ballistic Missile Defense System	64	Ballistic Missile Defense System	81
Midcourse Defense Segment	35	Midcourse Defense Segment	47
Theater High Altitude Area Defense System Theater Missile Defense-Engineering and Manufacturing Development	24	Boost Defense Segment	19
Ballistic Missile Defense Technology	9	Sensors	14
Boost Defense Segment	9	Management Headquarters-Missile Defense Agency	12
Sensors	8	Ballistic Missile Defense Technology	12
Terminal Defense Segment	7	Theater High Altitude Area Defense System Theater Missile Defense-Engineering and Manufacturing Development	4

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Program name	2003	Program name	2002
Management Headquarters-Missile Defense Agency	7	Terminal Defense Segment	4
		Navy Area	2
		Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	1

Sources: MDA (data); GAO (analysis).

Table 32: Programs with Highest Combined Number of BTRs in Fiscal Year 2003

Program name	BTR reductions		BTR additions		Total	
	Value	Number	Value	Number	Net value	Net total
Air Force						
Joint Strike Fighter Engineering and Manufacturing Development	-\$24,177,000	11	\$500,000	1	-\$23,677	12
Joint Tactical Radio Systems	-3,539,000	10	284,000	1	-3,255,000	11
C-130 Airlift Squadrons	-21,037,000	6	2,805,000	1	-18,232,000	7
Large Aircraft InfraRed Counter Measures	-10,833,000	6	9,455,000	1	-1,378,000	7
B-2 Advanced Technology Bomber	-17,770,000	6	0	0	-17,770,000	6
B-52 Squadrons	-1,102,000	5	0	0	-1,102,000	5
Global Combat Support System	-284,000	1	1,989,000	4	1,705,000	5
Fighter Tactical Data Link	-8,758,000	5	0	0	-8,758,000	5
Support Systems Development	-974,000	1	8,949,000	4	7,975,000	5
C-5 Airlift Squadrons	-3,157,000	3	11,000,000	2	7,832,000	5
Army						
Technical Information Activities	0	0	8,919,000	15	8,919,000	15
Logistics and Engineer Equipment-Engineering Development	-8,677,000	12	0	0	-8,677,000	12
Medical Technology	-1,667,000	6	934,000	1	-733,000	7
End Item Industrial Preparedness Activities	-6,127,000	6	260,000	1	-5,867,000	7
Combat Vehicle and Automotive Advanced Technology	-2,585,000	3	9,999,000	4	7,414,000	7
Programwide Activities	-345,000	3	2,169,000	4	1,824,000	7
Defense Research Sciences	-2,593,000	6	50,000	1	-2,543,000	7
Warfighter Advanced Technology	-1,370,000	6	0	0	-1,370,000	6

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Program name	BTR reductions		BTR additions		Total	
	Value	Number	Value	Number	Net value	Net total
Advanced Tank Armament System	0	0	6,004,000	6	6,004,000	6
University and Industry Research Centers	-800,000	3	1,766,000	3	966,000	6
Navy						
Marine Corps Ground Combat/Supporting Arms Systems	-3,674,000	19	2,938,000	16	-739,000	35
Marine Corps Communications Systems	-5,759,000	19	1,963,000	10	-3,793,000	29
Navy Information Technology Development/Modification	-4,075,000	17	1,145,000	4	-2,930,000	21
Radio Frequency Systems Advanced Technology	-9,175,000	15	8,809,000	4	-366,000	19
Common Picture Advanced Technology	-6,657,000	13	5,321,000	5	-1,336,000	18
Marine Corps Ground Combat/Support System	-2,346,000	11	3,299,000	7	953,000	18
Research, Development, Test & Evaluation Ship and Aircraft Support	-5,806,000	12	10,347,000	5	4,541,000	17
Marine Corps Advanced Technology Demonstrations	-2,440,000	10	2,468,000	6	28,000	16
Warfighter Sustainment Advanced Technology	-9,531,000	8	9,188,000	8	-343,000	16
Force Protection Advanced Technology	-6,070,000	6	9,685,000	9	3,615,000	15
Research, Development, Test & Evaluation Ship and Aircraft Support	-5,806,000	11	10,347,000	5	4,541,000	16
MDA						
Ballistic Missile Defense System	-121,249,000	129	126,078,000	64	4,829,000	193
Theater High Altitude Area Defense System Theater Missile Defense-Engineering and Manufacturing Development	-61,318,000	30	60,026,000	24	-1,292,000	54
Midcourse Defense Segment	-50,273,000	17	60,281,000	35	10,008,000	52
Ballistic Missile Defense Technology	-13,777,000	18	16,983,000	9	3,206,000	27
Sensors	-31,497,000	14	33,163,000	8	1,666,000	22
Boost Defense Segment	-26,119,000	12	18,447,000	9	-7,672,000	21
Terminal Defense Segment	-14,785,000	8	15,467,000	7	682,000	15
Management Headquarters-Missile Defense Agency	-160,000	1	10,078,000	7	9,918,000	8

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Program name	BTR reductions		BTR additions		Total	
	Value	Number	Value	Number	Net value	Net total
Patriot Advanced Capability-3 Theater Missile Defense-Engineering and Manufacturing Development	-10,252,000	3	0	0	-10,252,000	3
Medium Extended Air Defense System Demonstration/Validation (Program Definition/Validation)	-6,440,000	2	0	0	-6,440,000	2

Sources: Air Force, Army, Navy, MDA (data); GAO (analysis).

Note: For fiscal year 2003, BTRs with a net value greater than \$10 million were still within the threshold for BTR reductions if the net value did not exceed 20 percent of the program's designated funding.

Table 33: Dollar Value of Withholds for Fiscal Year 2002 Programs

Organization	Value of withholds
Air Force	N/A
Army	\$140,126,000
Navy	1,090,670,000
MDA	N/A ^a
Office of the Secretary of Defense	2,742,580,000
Total	\$3,973,376,000

Sources: Air Force, Army, Navy, MDA, Office of the Secretary of Defense (data); GAO (analysis).

^aMDA says that while it does not always release all appropriated funds immediately to its programs, it does not consider these actions to be withholds and did not provide this data to us.

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