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*REPORT TO THE HOUSE COMMITTEE  
ON ARMED SERVICES*

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*



The Department Of Defense Can  
Improve Its Free-Asset  
Management

Department of Defense

NCJRS

SEP 19 1980

ACQUISITIONS

The Department of Defense generates funds from the sale of equipment for which there is no requirement for replacement in the Department's inventory. Receipts from sales are termed "free assets." This report identifies weaknesses in reporting and managing free assets and makes recommendations for improving the Department's visibility and control over the generation of free assets and their application in reprogramming.

70954



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

B-183318

The Honorable Melvin Price  
Chairman, Committee on Armed Services  
House of Representatives

Dear Mr. Chairman:

This is our report on free-asset amounts available to the Department of Defense. We made our review pursuant to your request of February 25, 1975.

As agreed to by your Committee Counsel, we have obtained informal comments from the Department of Defense and have incorporated those comments in the report.

We invite your attention to the fact that this report contains recommendations to the Secretary of Defense, which are set forth on pages 18 and 25. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We will be in touch with your office in the near future to arrange for release of the report so that the requirements of section 236 can be set in motion.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Stacks".

Comptroller General  
of the United States

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ABBREVIATIONS

|     |                           |
|-----|---------------------------|
| DOD | Department of Defense     |
| GAO | General Accounting Office |

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

THE DEPARTMENT OF DEFENSE  
CAN IMPROVE ITS FREE-ASSET  
MANAGEMENT

D I G E S T

Free assets accrue to the Department of Defense as receipts from sales of equipment not requiring in-kind inventory replacement. The majority of free assets accrue from foreign military sales. The Department gives to the Congress estimates of free-asset funds which are used in the budget process to partially fund defense programs.

Under this procedure

- free assets realized (as estimated) are used as directed in the budget (see p. 6);
- failure of the military departments to realize the estimated free assets reduces the amounts available for procurement of equipment (see p. 6); and
- the services can, with congressional oversight, apply amounts realized in excess of the estimates to other defense programs (see pp. 6 and 7.)

Historically, the free-asset estimates given to the Congress have been low. If initial estimates were closer to the actual amounts of the free assets realized, funds initially appropriated for defense programs could be further reduced. (See pp. 6 to 8.)

Almost \$1.1 billion in free assets were generated in the Department's procurement accounts during fiscal years 1972-75; \$66 million additional in free assets were generated in research and development appropriations during fiscal years 1974-75. Because the Department has not provided the military departments with a standard definition of free assets, the services have developed their own definitions. These definitions vary among the military departments and, among the Army's commodity commands. (See pp. 19 and 20.)

LCD-76-414

The Army has only limited control over its free-asset generations, because of problems concerning management of its customer-order program in general. Some of these problems have impaired congressional oversight regarding the application of free assets. (See pp. 12 and 13.) These problems include

- the lack of Army visibility over the generation and use of free assets by commodity commands because reporting requirements are not enforced (see p. 12),
- unreported generation and use of free-asset amounts at the command level (see p. 13), and
- inaccurate command records from which free-asset generations are calculated (see p. 15.)

#### RECOMMENDATIONS

GAO recommends that, to improve free-asset management within the Department, the Secretary of Defense

- establish and enforce a standard criterion to which the services should adhere in classifying the sales of defense items as free-asset sales. This criterion should specify the time period for replacing the items sold and what constitutes replacement in kind.

GAO recommends also that the Secretary of Defense instruct the Secretary of the Army to

- enforce the customer-order reporting requirements set forth in Army Regulations 37-120 and
- refrain from the further reprogramming of free-asset amounts until the records on which these funds are based have been purified and control over the customer-order program has been established.

#### MATTERS FOR CONSIDERATION BY THE COMMITTEES

GAO suggests that, in light of the problems discussed in this report in estimating the amount of free assets that accrue to the

Department by selling defense articles as well as the lack of adequate system control over these proceeds, the House and Senate Committees on Armed Services and Appropriations consider requiring the Department to:

1. Credit proceeds from sales of inventory items which are not to be replaced to the Treasury as miscellaneous receipts.
2. Credit the proceeds over and above replacement costs to the Treasury as miscellaneous receipts for sales of inventory items which are to be replaced. This would simplify accounting, provide better management control by matching replacement costs with revenues, and prevent the Department from using free assets for unintended purposes.

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## CHAPTER 1

### INTRODUCTION

In recent reprogramming requests submitted to the Congress, Department of Defense (DOD) officials referred to certain funds available to the Department under the category "free assets." They defined free assets as receipts from sales of equipment for which there is no requirement for replacement in kind in DOD inventories. However, they were unable to provide sufficient information regarding free assets to satisfy the Chairman, House Armed Services Committee, and he asked that we review these funds. He specifically asked that we determine the

- total amount of free assets available to DOD,
- equipment sales from which free assets had been derived or were anticipated,
- transactions in which DOD had applied free assets and the amount so applied, and
- customers to which these items of equipment were sold.

We obtained summary data regarding free-asset generations and applications within the procurement and research and development appropriations of the military services and, as the Committee Counsel agreed, did some detailed audit work at selected Army commodity commands, to identify potential weaknesses in the way equipment sales were handled. We selected the Army Armament, Missile, and Tank-Automotive Commands for this work. We limited our work primarily to fiscal year 1974 programmed transactions.

### SOURCE OF FREE ASSETS

Free assets result from sales of military equipment between the military services and to U.S. Government agencies and foreign countries. DOD officials said foreign military sales were the largest source of free-asset funds. The majority of free-asset funds the military services generated accrued to the procurement appropriations managed by the following subordinate commands.

- The Army Materiel Command.
- The Naval Material Command.
- The Air Force Logistics Command.

Any recovered research and development costs are credited to research and development appropriations.

DOD officials told us that general guidance concerning free assets was contained in the DOD budget guidance manual and that it was understood within DOD that free assets accrue when

--equipment is sold from inventory and no requirement exists to replace it and

--collections are made of nonrecurring research, development, test, and evaluation costs included in the price of items sold.

According to DOD officials this interpretation applies to equipment which has been found to be stocked in excess of its authorized acquisition objective. The military services have defined free assets on the basis of the DOD budget guidance manual and "general understandings and practices" that have existed within DOD over the years. Because this guidance is general, different interpretations are possible, and as a result, the services do not have a uniform definition of free assets.

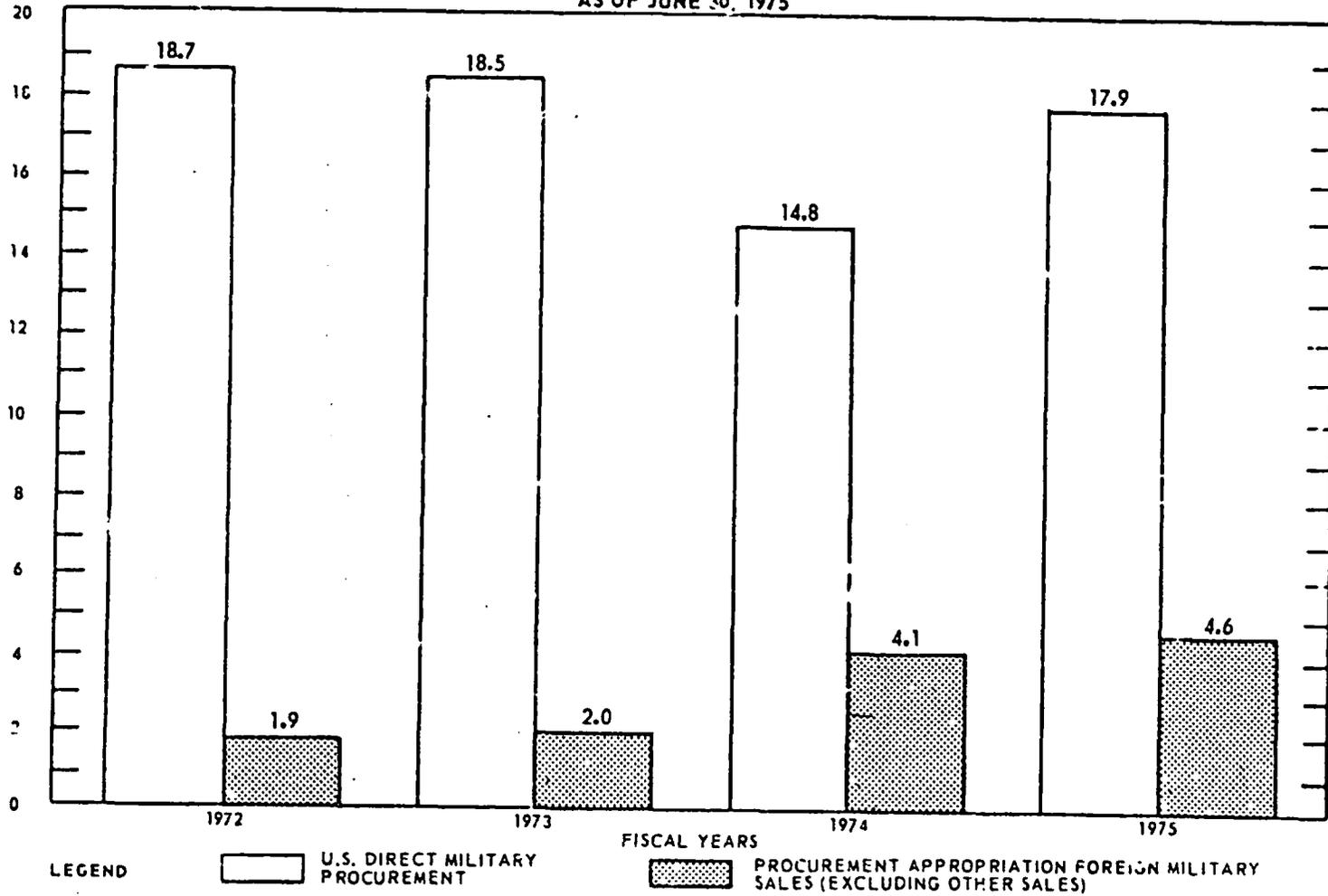
#### ROLE OF FOREIGN MILITARY SALES IN FREE-ASSET GENERATIONS

The military departments sell many types of equipment, ranging from repair parts to missile systems, to foreign customers. Although immediate replacement of this equipment may not be required, much of it is actively used by the U.S. Forces and may require replacement in the future. For example, the Army Armament, Missile, and Tank-Automotive Commands sell such equipment systems as self-propelled howitzers, the Lance missile, light-tracked command-post carriers, and frontline ambulance trucks.

There has been an explosive increase in foreign military sales in recent years, and there are indications that such sales will continue to increase at the present rate. Foreign sales jumped from \$3.3 billion in fiscal year 1972 to \$10.8 billion in fiscal year 1974. Fiscal year 1975 sales totaled \$9.5 billion. This was an increase of almost 200 percent over 4 fiscal years. The following chart shows the rapid increase in foreign military sales offered and accepted under procurement appropriations compared with funds appropriated in support of U.S. direct military procurement requirements.

PROCUREMENT APPROPRIATION FOREIGN MILITARY SALES  
AND DIRECT PROCUREMENT  
AS OF JUNE 30, 1975

BILLIONS OF DOLLARS



3

Compared with procurement levels approved for the direct support of our own military services, foreign military sales offered and accepted under procurement accounts jumped from 11 percent in fiscal year 1972 to more than 26 percent in fiscal year 1974. The increase was more dramatic in the Army's program. In fiscal year 1975 the Army's foreign military sales program of \$2 billion almost equaled its congressionally funded procurement program of \$2.6 billion. During fiscal year 1975 total sales activity within Army procurement accounts, which included other foreign military assistance and interservice sales, totaled \$3.1 billion, which exceeded direct procurement by \$5 million.

Many of the commodity command sales we reviewed were made to Middle East countries, such as Israel, Iran, and Saudi Arabia. These sales accounted for large free-asset generations in fiscal year 1974. (See apps. III through V.)

Free-asset generations in DOD procurement accounts for fiscal years 1972 through 1975 totaled approximately \$1.1 billion. Free-asset funds accruing to research and development appropriations in fiscal years 1974 and 1975 totaled over \$66 million. Free-asset generations and applications in the military procurement appropriations for program years 1972 through 1975 and in research and development appropriations for fiscal years 1974 and 1975 are itemized in appendixes I and II.

The Congress has used free assets to reduce amounts initially appropriated for defense programs. The military departments have also applied free assets, with committee oversight and approval, to augment funds for operations and maintenance, the Defense Stock Fund, and the Civilian Health and Medical Program of the Uniformed Services. We reviewed the Economy Act (31 U.S.C. 686) to determine whether free-asset amounts should be deposited in the Treasury as Miscellaneous Receipts. We concluded that free-asset funds accruing to DOD from military assistance transactions, including foreign military sales, were not subject to the act.

We also reviewed the Mutual Security Acts of 1956 and 1957, the Foreign Assistance Act of 1961, and the Foreign Military Sales Act of 1968, as amended (22 U.S.C.), concerning their provisions governing the treatment of reimbursements. These reimbursements include amounts that accrue as free-asset funds.

In general, the provisions of this authorizing legislation seem to favor crediting such reimbursements to either earning or current accounts. Therefore, in the absence of contrary statutory provisions or legislative history, we

cannot challenge DOD's use of free assets, or such reimbursements in general, to augment its obligational authority.

Committee oversight of free-asset applications is provided through the formal reprogramming process. However, we found weaknesses in the Army's management of free assets, including the generation and use of these funds without congressional oversight. (See ch. 2.)

#### INSPECTOR GENERAL AUDIT AGENCY REPORT

The Army Inspector General Audit Agency has recently completed an extensive audit of the Army Materiel Command's sales program. This audit included a review of augmentation and modernization funds (free assets) generated from these sales. The Agency's report gives additional information that may be of interest to the Committee regarding the Army's management of free assets.

#### SCOPE OF REVIEW

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

Office of the Secretary of Defense  
Defense Security Assistance Agency  
Headquarters of the:

Air Force

Navy

Army

Naval Materiel Command, Crystal Plaza, Virginia  
Army Materiel Command, Alexandria, Virginia, and its  
subordinate commands:

Army Armament Command, Rock Island, Illinois

Army Missile Command, Huntsville, Alabama

Army Tank-Automotive Command, Warren, Michigan

## CHAPTER 2

### FREE ASSETS INCREASE DOD OBLIGATIONAL AUTHORITY

The Congress uses free-asset estimates given by the military departments in their annual budget submissions to determine the obligational authority to be approved for defense programs in the budget year. Historically, the estimates given to the Congress have been low. For example, the Army estimated to the Congress that \$35 million in free assets would be generated from the fiscal year 1974 budgeted program. For procurement accounts, this includes the budget year 1974 and transactions in the 2 succeeding fiscal years related to the 1974 program. As of June 30, 1975, free assets accumulated from the 1974 program totaled almost \$117 million. Major portions of the \$82 million in excess of the original estimate were used during the program year to increase funding available for such items as Chinook helicopter modifications; for the Army tank program; and for Defense Stock Fund deficits in the petroleum, oil, and lubricants area.

Although the House and Senate Armed Services and Appropriations Committees have oversight regarding the application of these funds, original estimates closer to amounts actually generated would have given the Congress more accurate information and might have influenced the Congress to further reduce appropriated funds.

In addition, the Army's commodity commands are generating and using free assets without the knowledge of Army headquarters or the Congress.

### ESTIMATES PROVIDED THE CONGRESS ARE LOW

The budget for defense programs is prepared and submitted to the Congress annually. Included with this budget are estimates of free assets that will accrue in that program year. Since free assets will provide revenue to DOD when they are realized, the Congress includes these estimates as part of DOD's obligational authority and reduces the funds actually appropriated for defense programs.

The military departments use the free-asset generations, up to the amount of the estimates initially given the Congress, as congressionally directed in the budget.

If actual free-asset generations fall short of the budget estimates, obligational authority must be reduced accordingly. However, the services can, with congressional oversight, use the amounts generated in excess of the

estimates to increase funds available for other ongoing programs.

Free-asset estimates are based on (1) information from DOD concerning sales currently in negotiation, (2) indications of items foreign countries have expressed interest in purchasing, and (3) letters of offer to sell that have not yet been accepted by foreign countries.

A comparison of the initial estimates given to the Congress with the actual generations realized in the military departments' procurement accounts for program years 1972 through 1975 as of June 30, 1975, reveals that these estimates have been consistently low, as indicated in the following chart.

Procurement  
Free-Asset Generations

| Service                       | Program year |         |               |        |          |         |          |         |
|-------------------------------|--------------|---------|---------------|--------|----------|---------|----------|---------|
|                               | 1972         |         | 1973 (note a) |        | 1974     |         | 1975     |         |
|                               | Estimate     | Actual  | Estimate      | Actual | Estimate | Actual  | Estimate | Actual  |
| ----- (000,000 omitted) ----- |              |         |               |        |          |         |          |         |
| Army                          | \$100        | b/\$138 | -             | b/\$99 | \$35     | b/\$117 | \$19     | b/\$132 |
| Navy                          | 20           | 69      | -             | 59     | 25       | 73      | 5        | 18      |
| Air Force                     | 30           | 92      | -             | 118    | 26       | 101     | 29       | 67      |
| Total                         | \$150        | \$299   | -             | \$276  | \$86     | \$291   | \$53     | \$217   |

a/Free-asset estimates were not included in FY 1973 budget presentations.

b/Excludes amounts used at commodity commands.

Since the Congress uses free-asset estimates to reduce appropriated funds and since failure to meet the estimates can result in reduction of the direct program, the military departments tend to be conservative in their estimates. The system encourages the use of low estimates, because free assets generated in excess of the estimate can be reprogrammed to supplement the funding of other programs. (See app. I.) Initial estimates are changed as more definite information becomes available during the fiscal year. These changes are shown in subsequent budget presentations. However, we found that the changes made to the estimate did not show the actual

free-asset generations that would accrue 6 to 9 months in the future.

Procurement

Free-Asset Generations

Program Year 1975

|                               | Original<br>estimate<br>provided<br>in August<br>1974<br>budget<br><u>hearings</u> | Revised estimate<br>shown in<br>February 1975<br>budget submission<br>for fiscal year<br>1976<br><u>(note a)</u> | Actual<br>generation<br>as of<br>6-30-75<br><u>(note b)</u> | <u>Variance</u> |
|-------------------------------|--|--|---|-----------------|
| ----- (000,000 omitted) ----- |  |  |   |                 |
| Army                          | \$19   | \$46   | c/\$132   | c/\$86          |
| Navy                          | 5  | 5  | 18  | 13              |
| Air<br>Force                  | 29   | 56   | 67  | 11              |

a/Estimate can precede budget submission date by several months.

b/According to military department records.

c/Excludes amounts used at commodity commands.

Although the use of these funds is subject to congressional oversight, as explained below, low estimates in the budget submissions have, in effect, given DOD a major source of funds in addition to the amounts appropriated by the Congress.

REQUIREMENTS REGARDING THE  
APPLICATION OF FREE ASSETS

The uses of free assets are subject to restrictions, limitations, and approvals within DOD and the Congress. All proposed uses of these funds are subject to review and approval by the military departments' headquarters and by DOD. Congressional approval may also be required, depending on the proposed application of the funds and the amounts involved. The House and Senate Armed Services and Appropriations Committees must approve, in advance, all reprogramming actions involving the application of funds, irrespective of amount, for

- items or activities for which specific reductions in the amounts originally requested were made by the Congress;
- increases in the procurement quantity of an individual aircraft, missile, naval vessel, tracked combat vehicle, other weapon or torpedo, and related support equipment for which funds are authorized under the annual authorization appropriations for the Armed Forces;
- items of special interest to one or more committees; and
- items in a fiscal year approved program when the funds to be applied originate from a prior fiscal year's approved program resources. (Shipbuilding and Conversion, Navy, FY 1971 and prior only.)

The committees must be notified of certain dollar-value reprogramming actions, single or cumulative, that represent, for example:

- An increase of \$5 million or more in a budget activity in the military personnel appropriations or the operation and maintenance appropriations.
- An increase of \$5 million or more in a procurement line item.
- An increase of \$2 million or more in any program element in an appropriation for research, development, test, and evaluation, including the addition of a new program element of \$2 million or more or the addition of a new program element, the cost of which is estimated to be \$10 million or more within a 3-year period.
- Below-threshold actions not otherwise requiring prior approval to new programs or line items which will result in large follow-on costs or which, when combined with amounts already reprogrammed under the threshold amount, would cumulatively equal or exceed the threshold amount.

The Committees may approve or disapprove a notification-type reprogramming action within 15 days after notification is received. If the Committees do not comment within 15 days, DOD assumes the action was approved and can reprogram the funds.

A special report is submitted to the Committees quarterly, to provide oversight on all new programs or line items initiated during the preceding quarter. In addition, all

reprogramings, including those below the threshold, are reported to the Committees semiannually in DOD's "Report of Programs."

We selectively reviewed several reprogramming actions and confirmed that DOD was following the established criteria for these reprogramings. However, as discussed later in this chapter and in chapter 3, Army commodity commands are using free assets over which neither Army headquarters nor the Congress have oversight.

ALLOCATION OF FREE-ASSET ASSESSMENTS  
WITHIN THE ARMY

To meet the free-asset estimates shown in the budget submission to the Congress, Army headquarters assesses the free-asset amounts that must be generated in each procurement appropriation. Upon receipt of these amounts from Army headquarters, the Army Materiel Command allocates and levies, by appropriation, the free-asset amount to be generated by each commodity command. According to Army officials, the free-asset assessments levied on the commands are allocated on the basis of the individual command's past ability to generate free assets. Army officials do not contact the commands when making free-asset estimates, and the commands have no input into the assessment determination.

We found that the Army had levied free-asset assessments on its commodity commands in addition to those initially estimated to the Congress for the fiscal year 1975 program. For the program year 1975 (budget year 1975 and program transactions in 2 succeeding fiscal years), the Army gave the Congress an initial free-asset estimate of \$19 million from procurement appropriations. However, in a February 25, 1975, message, the Army Materiel Command allocated additional free-asset assessments of \$27.4 million to the commodity commands. The message said that failure to meet the total assessment would result in a reduction in the Army's fiscal year 1975 program. The original and additional assessments were as follows:

| <u>Commodity<br/>command</u> | <u>Original<br/>assessment</u> | <u>Additional<br/>assessment</u> | <u>Total</u>  |
|------------------------------|--------------------------------|----------------------------------|---------------|
|                              | ------(millions)-----          |                                  |               |
| Aviation                     | \$ 4.0                         | \$ 5.0                           | \$ 9.0        |
| Missile                      | 5.0                            | 5.4                              | 10.4          |
| Armament                     | 4.0                            | 14.5                             | 18.5          |
| Tank-Automotive              | 3.0                            | 2.5                              | 5.5           |
| Electronic                   | 1.0                            | -                                | 1.0           |
| Troop Support                | <u>2.0</u>                     | <u>-</u>                         | <u>2.0</u>    |
|                              | <u>\$19.0</u>                  | <u>\$27.4</u>                    | <u>\$46.4</u> |

As shown on page 8, the commodity commands exceeded the \$46.4 level by \$86 million.

Generally, the commands we reviewed had no trouble in generating enough free assets to meet the assessments the Army had imposed.

Fiscal year 1974 sales transactions for the three commodity commands we reviewed, including the items sold, free-asset generations accruing from the transactions, and the customers to whom the items were sold, are shown in appendixes III through V.

NOT ALL FREE ASSETS ARE REPORTED  
TO ARMY HEADQUARTERS

Army procedures

On the basis of DOD projections of expected sales, the Congress authorizes DOD to incur obligations and spend funds in support of the customer sales program on a reimbursable basis. The authorization established for DOD is allocated to the military services by appropriation.

Within the Army the customer sales program is the level of authorized expenditures that can be made in support of customer orders on a funded, reimbursable basis. However, no supply action can take place on these orders until funding authority is received for the program. Funding authority is the dollar amounts authorized and available to support customer-order supply actions.

The major portion of customer program and funding authority is released quarterly through the Army Materiel Command to its subordinate commodity commands on the basis of the orders each command estimates it will receive. Although released to the commands in advance, the funding authority can be used only to support customer orders actually received at the commodity commands.

As customer orders are received at the commands, their dollar amounts are recorded and the customer program is charged amounts equal to the amounts estimated to be required to (1) replenish the Army's stock, if the order was supplied from stock, or (2) procure the item for the customer, if the order was to be supplied directly from procurement. Since no stock replenishment or procurement actions are required when items of equipment are sold from stock not requiring replacement, no customer program is charged for these sales.

The Army considers all differences between the total dollar amount of customer orders received and the amounts required for restock or procurement in support of those orders as free assets.

The price to customers includes nonrecurring costs, such as past production engineering costs, related to the items sold. Some items of equipment sold may not require immediate replacement, and the total receipts earned for these items are considered free assets. For items sold requiring replacement, nonrecurring costs collected, representing the difference between the selling prices charged for the items sold and the amounts required to restock or procure these items, are considered "generated" free assets.

#### Reporting deficiencies

Army Regulations 37-120 requires the commodity commands to report customer-order program sales through the Procurement of Equipment and Missiles, Army Management Accounting and Reporting System. We have not approved the System design, and it is not included in the Department of Defense's June 30, 1975, inventory of accounting systems subject to our approval. We suggest that Army officials determine, after consultation with Office of the Secretary of Defense (Comptroller) and us, if the system design is subject to approval by the Comptroller General pursuant to the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66). If the system design is subject to approval, it should be included on the next update of the inventory of DOD accounting systems and scheduled for submission to us.

Under this system each commodity command must prepare a monthly report of the dollar value of customer orders received and the estimated amounts needed to support these orders and furnish information on individual orders as they occur, broken out by detailed transactions for each item, including the amount the items would sell for, amounts estimated to be required in support of those item sales, and generated free assets accumulating from individual transactions.

Army headquarters receives information on a monthly basis on total customer orders received at the commodity commands. However, headquarters does not receive detailed information regarding individual transactions. The information regarding individual transactions would give Army headquarters a good oversight of the free assets being realized. The commodity commands give this detailed information to the Army Materiel Command in the form of computer cards; however, the Army Materiel Command does not prepare a report nor provide information to Army headquarters regarding free-asset amounts generated from replacement-type sales until fiscal yearend.

Instead the Army Materiel Command provides Army headquarters with free-asset amounts obtained from sales of equipment without replacement. Army headquarters uses these amounts for reprogramming purposes until fiscal yearend. At fiscal yearend the Army Materiel Command sends Army headquarters a report of the customer order program showing, by appropriation, total funds required to support customer orders. However, the required-funds figure includes amounts the commands used, without headquarters knowledge, to buy back the same quantities of items sold when reimbursements from customer orders are insufficient to do so. Army headquarters subtracts the total funds required from the total customer orders received, to determine the total free-asset funds available at fiscal yearend. Consequently, Army headquarters is aware of only free assets generated and unused by the commands, as discussed in the following section.

Generating free assets in excess of the assessments levied by Army headquarters allows the commodity commands to apply these funds for other requirements without headquarters knowledge. Without information on an item-transaction basis, Army headquarters does not know the true amounts of free assets that accrue.

#### Use of free assets by the commands

Army policy requires that the operations and maintenance appropriation be reimbursed for overhaul, renovation, or repair work on items later sold to non-Army customers. In implementing this policy, the Army Materiel Command notified its commodity commands that sales receipts for all items supplied to customers from depot stocks were to be split, according to a predetermined percentage for each command, between the operations and maintenance and the procurement appropriations.

Since only procurement funds can be used to buy back the items sold from Army inventories, the Army Materiel Command allows its commodity commands to use free assets generated in the procurement accounts to cover the fund shortage. The Congress does not have oversight regarding funds used in this manner, because this use is not subject to the standard reprogramming procedures, approvals, or dollar limitations discussed on pages 8 to 10. We found that the Army Armament Command had been able to use free assets of at least \$49 million to offset shortages in the 1974 ammunitions appropriation without headquarters knowledge or approval. In addition, the command used an unknown and unreported amount of free assets to offset losses on individual transactions. The Army Armament Command used free assets to overcome price increases not recovered from customers and to buy back full

quantities sold when sales receipts were required to be split between the operations and maintenance and the procurement appropriations.

Two examples of when free assets were used at the Army Armament Command follow.

|  | <u>Customer-<br/>order<br/>quantity</u> | <u>Buy-<br/>back<br/>quan-<br/>tity</u> | <u>Customer-<br/>order<br/>value</u> | <u>Buy-<br/>back<br/>cost</u> | <u>Free<br/>assets<br/>used</u> |
|--|---|---|--------------------------------------|-------------------------------|---------------------------------|
|  | ----- (millions) -----                  |   |                                      |                               |                                 |
| Howitzer, M110 8<br>inch, self-<br>propelled | 24                                      | 24                                      | \$5.0                                | \$6.2                         | \$1.2                           |
| 155-mm. projectile<br>ME 107                 | 91,080                                  | 75,150                                  | 4.9                                  | 5.1                           | .2                              |

The total amount of free assets used at the Army Armament Command could not be readily determined, because customer orders on which free assets had been applied were not separately identified. A review of individual sales transactions would have to be made to determine the actual amount of free-asset funds the command used.

Similarly, we found that the Army Missile Command used \$5 million in free assets during fiscal year 1974 to repurchase quantities of items it could not initially replace because of a fund shortage caused by splitting the receipts between the operations and maintenance and the procurement appropriations.

The lack of awareness regarding free-asset use by the commands for inventory replacement can result in funding problems for Army headquarters. For example, in fiscal year 1975 the Army Missile Command could not meet the Army headquarters increased free-asset assessment of \$10.4 million which the Army had already reprogrammed. Although the command had generated \$12.6 million through March 1975 from sales of major items without replacement, it had already used \$9.7 million of these funds for procuring spare and repair parts. An Army Materiel Command message indicated that, since the free-asset assessment had been included in Army obligational authority, failure to meet the assessment would have to be compensated for by a reduction in the Army Missile Command's direct Army program.

The Army prestocks spare and repair parts in anticipation of demand, to avoid problems associated with long

procurement leadtimes for these items. The Secretary of Defense sets and approves a level of spare and repair parts sales activity. Officials in the Office of the Secretary of Defense said that this level was an estimate established for control purposes but was considered flexible if the military departments receive orders in excess of projected amounts. However, it is Army policy to classify all sales of spare and repair parts as free-asset sales, once the level the Secretary of Defense approved for the sale of these items has been reached. Army policy also requires that all receipts from sales of these items be split between the operations and maintenance and the procurement appropriations. Accordingly, procurement funds available for the resupply of these items are continually reduced by these two policies, and item managers must use free assets to buy back items up to their inventory levels.

#### Inaccurate records

The Army Materiel Command and its subordinate commodity commands said that the data in commodity command reports concerning individual customer-order transactions was inaccurate and that, if that information were submitted as required (see p. 12), it would give Army headquarters erroneous information.

Inaccurate information obtained from the Army Electronics Command's customer-order program reports caused the Army to overobligate its fiscal year 1972 "Other Procurement" appropriation by some \$40.2 million as of June 30, 1974. A 1974 Army Materiel Command investigation indicated that the Army Electronics Command reports had overstated customer orders by some \$47 million. The Army depended on information obtained from these reports to calculate the amount of free assets available to fund other programs. Upon discovering that the reports were in error, obligational authority was reduced and the overobligation occurred.

This matter was the subject of a GAO report (B-132900, Sept. 8, 1975) to the Chairman, House Appropriations Committee. The Chairman also has asked that, among other things, we evaluate the corrective action the Army is taking to prevent future overobligations.

Accounting errors made when recording the division of receipts between the operations and maintenance and the procurement appropriations have also impaired the accuracy of commodity command records. These records provide the information used to determine free-asset balances available for reprogramming. These errors have resulted primarily from

- incorrect application of the codes for splitting the receipts between the operations and maintenance and the procurement appropriations to the billing initiator cards and
- confusion resulting from conflicting instructions from Army headquarters and the Army Materiel Command regarding the applicability of splitting the receipts between the appropriations.

Several item managers at the Army Tank-Automotive Command told us that, if items shipped from stock were new, the receipts would not have been split between the appropriations. Consequently stock transactions have been routinely recorded at 100 percent of the customer-order value rather than at the lesser percentage required by the policy of splitting receipts between the operations and maintenance and the procurement appropriations. In effect, the total sales receipts from these orders were recorded as available for reprocurement, although, upon billing, procurement will actually be reimbursed for a lesser amount.

For example, one completed order in our sample showed that procurement actually received \$879,840 less than the amount recorded in the customer-order records as the procurement appropriation's share of the reimbursement. The order had been recorded at its full \$1.3 million value, but, upon billing, the requirement to split the receipts between the operations and maintenance and the procurement appropriations was noted. Consequently only 35 percent of the funds were reimbursed to the procurement appropriation and the remainder was reimbursed to the operations and maintenance appropriation.

Army Tank-Automotive Command officials said that a customer-order reconciliation in process indicated that a high percentage of orders for spare and repair parts had been recorded in the command records at 100 percent of customer-order value, rather than at the applicable procurement percentage that should have been charged in accordance with Army regulations. Although we did not make a detailed review of these orders, comptroller personnel at the command estimated that as high as 85 percent of the \$43.3 million in orders for spare and repair parts might not have been prorated according to the predetermined percentages.

#### AGENCY ACTION

The Army is strengthening its control over the customer-order program. The Army Chief of Staff has established the Army Customer Order Steering Committee to review and modify all aspects of the accounting for and administration of customer orders.

Since our review, the Army has modified its policy of splitting receipts between the operations and maintenance and the procurement appropriations. Effective with fiscal year 1976, the receipts from the sales of major items are to be split only when overhaul, renovation, or repair costs can be specifically identified to the sales transaction. The modified policy does not apply to sales of spare and repair parts.

The Army Materiel Command and the commodity commands have recognized the billing problems associated with splitting receipts between the operations and maintenance and the procurement appropriations and are taking corrective actions. The commands are also reconciling their customer-order programs.

In October 1975 Army Regulations 37-120 was revised to restrict all free-asset use to Army headquarters. Therefore we are making no recommendation on this matter at this time. However, until the reporting requirements set forth in this regulation are enforced, the Army will lack the visibility necessary to insure that the commands are complying with the regulation.

#### CONCLUSIONS

We recognize that, by its nature, estimating is imprecise, and we understand the hesitancy of military departments to submit estimates that, by being overly optimistic, might jeopardize direct congressional funding. However, DOD has had an opportunity to gain experience with the customer sales program. If original estimates were improved to more closely reflect the free assets that will ultimately accrue, the Congress would have better information on which to determine funding requirements for new programs.

Failure to enforce the reporting requirements contained in Army Regulations 37-120 denies Army headquarters visibility and control over all free-asset generations. As a result, Army headquarters free-asset figures represent free-asset generations available less amounts used at the command level. Also the Congress has no oversight of the free-asset amounts used by the commands.

Commodity command records are inaccurate. These records are the basis on which free-asset calculations are made. The Army commodity commands are engaged in a massive effort to reconcile customer-order program records. As this reconciliation continues, other overobligations, such as the one at the Army Electronics Command, could surface. We therefore feel that the Army would be prudent in suspending further free-asset reprogramings until it has established firm

control over its customer-order program and until the records upon which free-asset calculations are based have been reconciled. Once this has been done, commodity command input could give Army headquarters accurate customer-order information for use in estimating free assets.

RECOMMENDATIONS

We recommend that the Secretary of Defense instruct the Secretary of the Army to

- enforce reporting requirements as set forth in Army Regulations 37-120 and
- refrain from further reprogramming of free-asset amounts until the command records on which these funds are based have been purified and control over the customer-order program has been established.

### CHAPTER 3

#### DOD NEEDS A STANDARD DEFINITION OF FREE ASSETS

Each of the military departments defines free assets differently. The military departments have been allowed a wide latitude in determining the sales amounts they will classify as free assets, because there is no standard DOD definition that the services can use in classifying free-asset sales. A liberal definition allows more sales receipts to be included as free assets and provides more funds to DOD for funding other programs. A more restrictive definition would retain more of these receipts in procurement accounts.

#### DEFINITIONS OF FREE ASSETS VARY AMONG THE MILITARY DEPARTMENTS

The military departments' definitions of free assets vary regarding the need to use sales proceeds to replace equipment which is sold and for which there is no immediate requirement. The more latitude in the definition, to provide only for immediate replacement requirements, the more sales proceeds available for reprogramming. For example, volume 1, Air Force Manual 172-1, dated August 28, 1972, defines free assets as "reimbursable collections for items furnished from existing stocks for which concurrent replacement will not be made in kind." Air Force officials said that "concurrent replacement" meant replacement within 90 days.

Volume 7 of the Navy's Comptroller Manual, dated August 1973, defines free assets as "the revenues derived from the sale of material which does not require replacement in kind." However, the Navy considers receipts from all items sold that are not designated for replacement in kind within the fiscal year of the sales to be free assets.

In Army Regulations 37-120, which uses the terms "augmentation and modernization funds" and "free assets" synonymously, "augmentation and modernization" is defined as:

"The difference between all current cost to PEMA [Procurement of Equipment and Missiles, Army] related to providing the item to the customer and that portion of the selling price of the end item ultimately earned and credited to PEMA. This includes, for example, the full amounts earned on sales from stock and/or Government furnished property withdrawn from existing inventories for use without replacement."

The Army does not stipulate the time frame to be considered in determining whether an item is to be replaced and does not specify whether "replacement" is to be narrowly interpreted to include only replacement of the same item. Army officials said that replacement in kind within the Army followed DOD guidance which limited such replacement to the same model, series, and type as the item that was sold. Further, the Army definition includes funds collected in excess of replacement costs. These funds are not included as free assets in the Air Force and Navy definitions. Volume 7 of the Navy's Comptroller Manual specifically excludes these funds from consideration as free assets. Similarly, Air Force officials told us that these amounts are excluded from their free-asset generations. However, since our detailed work was limited primarily to the Army, we did not review the actual treatment of these amounts by the other two military departments to determine whether they followed similar practices.

Thus the Army includes amounts not clearly sanctioned by the free-asset definition, given to the Congress by DOD during reprogramming hearings, which described free assets as the receipts from sales of equipment for which there is no requirement for replacement in kind in the DOD inventories and which varied from the other departments' definitions. Furthermore the Army considers the receipts from spare-parts and repair-parts orders accepted above approved customer program limits for those items to be free assets, even though subsequent replacement through normal inventory replenishment may be required, as discussed on page 24.

DEFINITIONS OF FREE ASSETS  
VARY AMONG ARMY COMMODITY COMMANDS REVIEWED

The sales classification assigned to a customer order is important because it directly affects the amount of free assets that will accrue from the sale. Since we limited our detailed work to the Army, we cannot comment on the Navy's and Air Force's procedures for classifying free assets.

The lack of specific Army guidance defining the time span to be considered when determining whether an item sold is to be replaced has resulted in inconsistent criteria among Army commodity commands and in confusion on the part of command personnel as to how to classify the sales. The replacement time frames regarding the sale of major equipment items varied considerably among the commodity commands reviewed.

The Army Missile Command, for example, used the life of the weapon system as the time span criterion, which means the sale of a major item of equipment could be coded as a

free-asset transaction only if the item sold was obsolete. The Army Armament Command, on the other hand, used a 12-month period as the time span. This means the command could derive free assets from the sale of any major item of equipment, as long as the requirement for replacement would not occur within a 12-month period from the date of the sale.

At the Army Tank-Automotive Command, item managers consider sales receipts to be free assets, if the item sold would not be replaced within the 3-year obligational period of the current year's funding and if the item sold was excess to the inventory stockage level. With respect to the interpretation of replacement in kind, the command classified \$2.8 million in M48A1 tank sales as free assets even though a modification program to enhance M48A1 tanks for Army use was in progress at the time of the sale. M60 tanks are in low supply and are being procured by the Government at an accelerated rate. Because the tanks under procurement are M60's and the tanks sold were M48A1's, the command determined that those sales were not replacement-type sales. Had the M48A1 sales been coded as replacement-type sales, the proceeds could have been used to offset any procurement cost increases for modifying the M48A1 tanks or to offset price increases in procuring M60 tanks. However, DOD officials said that current DOD guidance regarding replacement in kind did not provide the flexibility to code these transactions as replacement-type sales and apply the proceeds in this manner.

The commodity commands do not always apply their criteria consistently. At the Army Missile Command, \$15 million in sales receipts for Chaparral missile systems sold to Israel in 1974 were classified as free assets and were included in the command's program year 1974 reports to higher headquarters, in spite of the fact that these systems were not obsolete. This was inconsistent with the commands' criterion set forth on page 20. The sales proceeds have been or will be used to finance other Army programs, although fiscal 1976 procurement appropriations will be required to replace the items sold.

We were unable to determine why these sales receipts were classified as free assets. Chaparral Project Office representatives told us that files on these sales, including classified correspondence with higher headquarters, were destroyed when the case was closed. They said that the items sold were neither excess nor obsolete and that the Project Office had no part in the decision to classify the sales as free assets. We received similar comments from other Army Missile Command representatives. We believe these comments indicate a need for a systematic review of sales classifications and for a more specific definition of responsibilities in this area.

AMOUNTS GENERATED IN EXCESS OF AN ITEM'S  
REPLACEMENT COST SHOULD BE EXCLUDED FROM  
THE ARMY'S DEFINITION OF FREE ASSETS

Funds generated in excess of the replacement cost for an item sold to a customer from procurement or from the sale of equipment requiring inventory replacement are considered by the Army to be free assets. These funds represent recoupement of nonrecurring production and development costs which are added to the price paid by the customer for the item sold.

The cost of providing an item to a customer is initially an estimate based upon input from the command directorate supplying the item. As actual cost is incurred, this estimate changes. As such, the actual cost of supplying the item may not be known until the supplying action is completed, which could take as long as 8 years. As the supplying action takes place, generated free assets computed from the sale are subject to reduction. For example, total generated-type free assets reported by the Army Tank-Automotive Command for the fiscal year 1973 program were reduced by about \$10 million during the first 10 months of fiscal year 1975. This resulted, in part, from an adjustment in customer orders with a net reduction of \$8.4 million and a requirement for \$1.6 million additional to support customer orders.

There are also indications that not all costs involved in filling foreign sales orders are billed to the country involved. It is questionable whether the Army is actually realizing the estimated generated free assets.

For example, during our review at the Army Armament Command, we noted one free-asset sale that had questionable pricing. This sale of 50-caliber M2 machineguns was also the subject of an Army Audit Agency price finding.

The Army Audit Agency found that prices charged foreign military customers for 50-caliber M2 machineguns had been less than their market value. The total undercharge for all M2 machineguns on order at April 17, 1975, was estimated to be at least \$19.1 million.

Army headquarters pricing policy that Army Materiel Command sent to the Army Armament Command on June 11, 1974, stated that the standard prices charged for foreign sales should recognize current market values. Before June 11, 1974, the standard prices charged for items for which no future procurement was planned did not recognize current market values.

The Army Materiel Command has told Army Armament Command that sales negotiated before June 11, 1974, would remain at the negotiated prices. All subsequent sales have been negotiated at the current market values. The Army Audit Agency stated in its finding that the Army Materiel Command had failed to recognize that the Army's pricing policy also prescribed that sales be based on prices in effect at the time the items were dropped from inventory. The machineguns in question had been ordered but were still undelivered at April 17, 1975. As of August 18, 1975, the Army Audit Agency was awaiting response from the Army Comptroller on its finding.

Army auditors told us that the Army Materiel Command had earlier decided not to collect the money from the customer because:

--The Army's pricing policy was changed after the sales were negotiated.

--The Army would be embarrassed to ask the customers for additional funds.

We believe the prices of the 50-caliber machineguns should have been based on the prices in effect when the guns were dropped from inventory, in agreement with Army policy.

The following purchase-agreement terms included in the offer and acceptance contracts were adequate to provide for collection.

--The price of the items to be procured were to be their total cost to the Government.

--The purchasers were to reimburse the Government if the final costs exceeded the amounts estimated in the agreements.

As supplying actions for customer orders take place, generated-type free assets can fluctuate. Supply actions on many orders may not be completed until the appropriations under which the orders were accepted have expired. As supplying actions are completed, losses, as well as gains, can be incurred on the items sold. We believe that, in replacement-type sales, funds collected in addition to the standard prices of items shipped should not be available for Army reprogramming until all supply actions under the order have been completed and all subsequent adjustments to the transaction have been made. This would insure the availability of these funds to offset any future costs incurred in procuring and/or replacing the items sold. If supply action is completed within the life of the applicable appropriation,

residual amounts resulting from the transaction could be added to the free-asset estimate provided for the current year budget submission. If supply action is not completed until after the appropriation has expired, these funds could be transferred to the Treasury as Miscellaneous Receipts.

#### SPARE AND REPAIR PARTS

The Office of the Secretary of Defense sets a program dollar limit for the reimbursable sales of procurement of equipment and missiles, Army, secondary items (spare and repair parts), which, according to officials, can be raised if unexpected additional customer orders for these items are received.

We found that Army sales had exceeded the DOD limit. It is Army policy to classify all sales of spare and repair parts as replacement-type sales until the amount of the reimbursable program approved for these items has been reached. Once the program limit has been reached, all additional sales are classified as sales without replacement and the receipts are considered to be free assets.

Army officials said that the policy for classifying the sales of spare and repair parts in this manner was based on the fact that there was no requirement for replacement in kind for the sales of these items and the receipts from such sales could be used to buy spare and repair parts the same as or different from those originally sold, depending on the results of routine requirement computations.

Army guidance requires that, before classifying sales proceeds from any order for spare and repair parts as free assets, the subordinate command contact the Army Materiel Command and request an increase in the program limit. If additional program authority is not available within the Army Materiel Command, sales proceeds from all additional orders received and accepted are to be classified as free assets.

We agree that proceeds from the sale of spare and repair parts should be applied to spare and repair parts other than or the same as those originally sold, depending on the results of routine requirements computations. However, we believe that this policy should be followed whether or not the program is exceeded. Designating proceeds received from sales in excess of the approved program level as free assets permits these amounts to be used for other programs and reduces the amounts available to replace spare and repair parts. We believe that, since the DOD-approved sales limit set for these items is flexible, the Army should seek a program increase based on orders received.

Free assets generated from Army sales of spare and repair parts within the Army for fiscal years 1974 and 1975 were \$25.6 and \$5.1 million, respectively, as of June 30, 1975.

### CONCLUSIONS

DOD has no standard definition of free assets. Consequently each military department has defined what it will consider a free asset. The definitions differ not only among the departments but also among the Army's commodity commands.

The amount of free-asset funds that become available to a military department for funding other programs depends on the amounts included in the free-asset definition used. The more funds included in the definition, the larger the free-asset accumulation. For instance, the Army definition of free assets includes generations from the sale of equipment requiring inventory replacement. The Army also considers the receipts from sales of spare and repair parts under orders accepted above approved customer program limits for those items to be free assets, even though subsequent replacement through normal inventory replenishment may be required. Inclusion of these latter amounts as free assets is not consistent with the free-asset definition of the other services or the definition DOD provided to the Congress during reprogramming hearings. Further, sales proceeds for spare and repair parts classified as free assets in this manner are available for reprogramming and are not earmarked for reinvestment in spare and repair parts.

Since free assets accrue to DOD from the same source; i.e., the sale of defense articles by the military departments, we believe the criteria used to classify these sales should be uniform throughout DOD.

### RECOMMENDATION

We recommend that the Secretary of Defense establish and enforce a standard criterion to which the services should adhere in classifying the sales of defense items as free-asset sales. This criterion should specify the time period for replacing the items sold and what constitutes replacement in kind.

### MATTERS FOR CONSIDERATION BY THE COMMITTEES

We suggest that, in light of the problems discussed in this report in estimating the amount of free assets that accrue to DOD by selling defense articles as well as the lack

of adequate system control over these proceeds, the House and Senate Committees on Armed Services and Appropriations consider requiring DOD to:

1. Credit proceeds from sales of inventory items which are not to be replaced to the Treasury as miscellaneous receipts.
2. Credit proceeds over and above replacement costs to the Treasury as miscellaneous receipts for sales of inventory items which are to be replaced. This would simplify accounting, provide better management control by matching replacement costs with revenues, and prevent DOD from using free assets for unintended purposes.

FREE-ASSET GENERATIONS AND APPLICATIONS  
FOR DEPARTMENT OF DEFENSE PROCUREMENT APPROPRIATIONS  
DURING PROGRAM YEARS 1972 THROUGH 1975  
AS OF JUNE 30, 1975

APPENDIX I

| APPROPRIATION   | TOTALS<br>(IN THOUSANDS) |
|---|--------------------------|
| AIRCRAFT PROCUREMENT ( 28 )*                                    | \$ 348,047               |
| MISSILE PROCUREMENT ( 29 )                                      | 121,604                  |
| OTHER PROCUREMENT ( 30 )  | 255,484                  |
| PROCUREMENT OF AMMUNITION, ARMY ( 31 )                          | 146,557                  |
| PROCUREMENT OF WEAPONS AND TRACKED COMBAT VEHICLES, ARMY ( 32 ) | 103,774                  |
| PROCUREMENT OF AIRCRAFT AND MISSILES, NAVY ( 33 )               | 69,504                   |
| WEAPONS PROCUREMENT, NAVY ( 34 )                                | 8,519                    |
| SHIPBUILDING AND CONVERSION, NAVY ( 35 )                        | 25,613                   |
| PROCUREMENT, MARINE CORPS ( 36 )                                | 3,490                    |
| TOTAL GENERATIONS   | <u>\$1,082,592</u>       |
| APPLIED TO LIKE APPROPRIATIONS                                  | 831,978                  |
| APPLIED OUTSIDE LIKE APPROPRIATIONS                             |                          |
| AS FOLLOWS:   |                          |
| OPERATIONS AND MAINTENANCE                                      | \$143,951                |
| ARMY TANK PROGRAM   | 63,500                   |
| MAP F-5A PAY BACK   | 41,000                   |
| DEFENSE STOCK FUND  | 15,000                   |
| FREE ASSETS GENERATED IN THE ARMY MISSILE APPROPRIATION         |                          |
| APPLIED TO THE AIR FORCE MISSILE PROGRAM                        | 8,000                    |
| SSBN POSEIDON MISSILE   | 4,800                    |
| UNPROGRAMMED RESERVE  | 3,000                    |
| DEFENSE APPROPRIATION CLAIMS                                    | 2,900                    |
| MILITARY PERSONNEL  | <u>200</u>               |
| TOTAL APPLICATIONS  | <u>282,351</u>           |
| UNDER OR (OVER) APPLIED   | \$1,114,229              |
|   | <u>(31,637)</u>          |
|   | <u>\$1,082,592</u>       |

\* NUMBERS REFER TO APPENDIX PAGE NUMBERS

APPENDIX I

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| AIRCRAFT PROCUREMENT               |                      |                      |                      |                      |                  |  |  |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|------------------|--|--|
| GENERATIONS (DOLLARS IN THOUSANDS) |                      |                      |                      |                      |                  |  |  |
| Service Branch                     | (FY's 72-74)<br>1972 | (FY's 73-75)<br>1973 | (FY's 74-76)<br>1974 | (FY's 75-77)<br>1975 | TOTALS           |  |  |
| Army                               | \$ 25,254            | \$ 20,394            | \$ 29,016            | \$ 9,000             | \$ 83,664        |  |  |
| Navy                               | ---                  | ---                  | 17,983               | 5,000                | 22,983           |  |  |
| Air Force                          | 55,000               | 71,800               | 72,000               | 47,400               | 246,200          |  |  |
| <b>TOTALS</b>                      | <b>\$ 80,254</b>     | <b>\$ 92,194</b>     | <b>\$118,999</b>     | <b>\$ 56,400</b>     | <b>\$348,047</b> |  |  |

| APPLICATIONS (DOLLARS IN THOUSANDS) |  |   |   |   |                  |  |  |
|-------------------------------------|--|---|---|---|------------------|--|--|
| Service Branch                      | (FY's 72-74)<br>1972   | (FY's 73-75)<br>1973  | (FY's 74-76)<br>1974  | (FY's 75-77)<br>1975  | TOTALS           |  |  |
| Army                                | FY 1973 Aircraft Program \$ 10,000<br>FY 1973 Operations and Maintenance 2,825<br>FY 1974 Aircraft Program 6,700 | FY 1974 Aircraft Program \$ 8,500<br>Army Tank Program 11,000<br>Defense Stock Fund 1,500   | FY 1974 Aircraft Program \$ 5,000<br>Chinook Modification 3,800<br>Army Tank Program 21,000<br>Defense Stock Fund 600   | FY 1975 Aircraft Program \$ 4,000<br>Defense Stock Fund 5,000 | \$ 79,925        |  |  |
| Navy                                | ---  | ---   | FY 1974 Aircraft Program 5,000<br>FY 1974 Programs:<br>S-3A Aircraft Engineering 1,500<br>F-14A Improvements 1,135<br>EP-3 ELINT System 480<br>Aircraft Spares and Repair Parts 3,534<br>J-79 and T-38 Tooling 492<br>CH-46 Cost Growth 2,342<br>Defense Agencies Operation and Maintenance 3,500 | FY 1975 Aircraft Program 5,000                                | 22,983           |  |  |
| Air Force                           | FY 1972 Aircraft Program 25,000<br>FY 1973 Aircraft Program 8,400<br>FY 1974 Aircraft Program 21,600             | FY 1974 Aircraft Program 10,000<br>FY 1974 Aircraft Program 10,000<br>FY 1975 Aircraft Program 20,000<br>Operations and Maintenance 8,100<br>Price Increases 11,000 | FY 1974 Aircraft Program 16,000<br>F-5A Payback to MAP 41,000<br>FY 1975 Aircraft Program 15,000  | FY 1975 Aircraft Program 15,000<br>F-5E Reprograming 27,400   | 228,500          |  |  |
| <b>TOTALS</b>                       | <b>\$ 76,525</b>   | <b>\$ 80,100</b>  | <b>\$120,383</b>  | <b>\$ 56,400</b>  | <b>\$331,408</b> |  |  |
| <b>UNDER OR (OVER) APPLIED</b>      | <b>\$ 5,729</b>  | <b>\$ 12,294</b>  | <b>\$( 1,384)</b>   | <b>\$ 0</b>   | <b>\$ 16,639</b> |  |  |

| MISSILE PROCUREMENT                 |                                      |            |  |          |   |            |  |      |                   |
|-------------------------------------|--------------------------------------|------------|--|----------|---|------------|--|------|-------------------|
| GENERATIONS (DOLLARS IN THOUSANDS)  |                                      |            |  |          |   |            |  |      |                   |
| Service Branch                      | (FY's 72-74)<br>1972                 |            | (FY's 73-75)<br>1973   |          | (FY's 74-76)<br>1974  |            | (FY's 75-77)<br>1975   |      | TOTALS            |
| Army                                | \$ 7,430                             |            | \$ 24,911  |          | \$ 48,863   |            | \$ 10,400  |      | \$ 91,604         |
| Navy                                | ---                                  |            | ---  |          | ---   |            | ---  |      | ---               |
| Air Force                           | 9,193                                |            | 10,960   |          | ---   |            | 4,000  |      | 30,000            |
| <b>TOTALS</b>                       | <b>\$ 16,623</b>                     |            | <b>\$ 35,871</b>   |          | <b>\$ 48,863</b>  |            | <b>\$ 14,400</b>   |      | <b>\$ 115,757</b> |
| APPLICATIONS (DOLLARS IN THOUSANDS) |                                      |            |  |          |   |            |  |      |                   |
| Service Branch                      | (FY's 72-74)<br>1972                 |            | (FY's 73-75)<br>1973   |          | (FY's 74-76)<br>1974  |            | (FY's 75-77)<br>1975   |      | TOTALS            |
| Army                                | FY 1973 Missile Program<br>\$ 13,750 |            | FY 1973 Air Force Missile Program<br>\$ 8,000<br>FY 1974 Missile Program<br>14,500<br>FY 1975 Missile Program<br>5,900 |          | FY 1974 Missile Program<br>\$ 10,000<br>FY 1975 Operations and Maintenance, Army<br>8,600<br>FY 1975 Tank Program<br>21,500 |            | FY 1975 Missile Program<br>\$ 5,000<br>FY 1975 Operations and Maintenance, Art.<br>5,400 |      | \$ 101,780        |
| Navy                                | ---                                  |            | ---  |          | ---   |            | ---  |      | ---               |
| Air Force                           | FY 1974 Missile Program<br>6,793     |            | FY 1973 Missile Program<br>4,900<br>FY 1974 Missile Program<br>2,000   |          | ---   |            | FY 1975 Missile Program<br>4,000   |      | 17,600            |
| <b>TOTALS</b>                       | <b>\$ 20,543</b>                     |            | <b>\$ 31,100</b>   |          | <b>\$ 40,100</b>  |            | <b>\$ 14,400</b>   |      | <b>\$ 116,143</b> |
|                                     | UNDER OR (OVER) APPLIED              | \$ (3,950) |  | \$ 7,-11 |   | \$ (1,237) |  | \$ 0 | \$ 2,224          |

OTHER PROCUREMENT

| SERVICE BRANCH                      | GENERATIONS (DOLLARS IN THOUSANDS)                      |            |   |           |  |          |                                      |          |            |
|-------------------------------------|---|------------|---|-----------|--|----------|--------------------------------------|----------|------------|
|                                     | (FY's 72 - 74) 1972                                     |            | (FY's 73 - 75) 1973                           |           | (FY's 74 - 76) 1974                    |          | (FY's 75 - 77) 1975                  |          | TOTALS     |
| ARMY                                |   | \$ 21,365  |   | \$22,149  |  | \$11,664 |                                      | \$ 5,000 | \$ 60,178  |
| NAVY                                |   | 28,050     |   | 20,900    |  | 36,834   |                                      | 3,422    | 89,206     |
| AIR FORCE                           |   | 28,200     |   | 29,100    |  | 28,500   |                                      | 20,300   | 106,100    |
|                                     | TOTALS  | \$ 77,615  |   | \$72,149  |  | \$76,998 |                                      | \$28,722 | \$233,484  |
| APPLICATIONS (DOLLARS IN THOUSANDS) |   |            |   |           |  |          |                                      |          |            |
| SERVICE BRANCH                      | (FY's 72 - 74) 1972                                     |            | (FY's 73 - 75) 1973                           |           | (FY's 74 - 76) 1974                    |          | (FY's 75 - 77) 1975                  |          | TOTALS     |
|                                     |   |            |   |           |  |          |                                      |          |            |
| ARMY                                | FY 1973 OPERATIONS AND MAINTENANCE, AIR FORCE           | \$ 21,726  | FY 1973 OPERATIONS AND MAINTENANCE, AIR FORCE | \$14,800  | FY 1974 OTHER PROCUREMENT, ARMY        | \$ 5,000 | FY 1975 OTHER PROCUREMENT, ARMY      | \$ 5,000 | \$124,926  |
|                                     | FY 1973 OPERATIONS AND MAINTENANCE, ARMY                | 32,400     | FY 1973 MILITARY PERSONNEL, AIR FORCE         | 200       | DIRECT PROGRAM INCREASE-ASSAULT BRIDGE | 6,300    |                                      |          |            |
|                                     | FY 1974 OTHER PROCUREMENT, ARMY                         | 20,500     | FY 1974 OTHER PROCUREMENT, ARMY               | 19,000    |  |          |                                      |          |            |
| NAVY                                | FY 1972 OTHER PROCUREMENT, NAVY DIRECT PROGRAM INCREASE | 10,000     | FY 1973 FREE ASSET OBJECTIVE                  | 10,000    | FY 1974 OTHER PROCUREMENT, NAVY        | 17,234   | FY 1975 DIRECT PROGRAM AS FOLLOWS:   |          | \$9,206    |
|                                     | TS1 1200 TRAINER  | 734        | FY 1974 RECOUPMENT OBJECTIVE                  | 5,000     | FY 1974 FREE ASSET OBJECTIVE           | 15,000   | TRANSPORTATION                       | 1,800    |            |
|                                     | FY 1973 RECOUPMENT OBJECTIVE                            | 600        | DEFENSE APPROPRIATION CLAIMS                  | 2,900     | DIRECT PROGRAM INCREASE                | 1,500    | DRILL AND BLASTING EQUIPMENT         | 195      |            |
|                                     | FY 1974 RECOUPMENT OBJECTIVE                            | 12,631     | FY 1973 UNPROGRAMED RESERVE                   | 3,000     | FY 1975 RECOUPMENT OBJECTIVE           | 2,200    | WEIGHT AND HANDLING EQUIPMENT        | 640      |            |
|                                     | 5 3/8 INCH AMMUNITION COST INCREASE                     | 2,916      |   |           | FY 1974 OTHER PROCUREMENT, NAVY        | 700      | AMPHIBIOUS AND SPECIALIZED EQUIPMENT | 787      |            |
|                                     | AIR LAUNCHED ORDINANCE COST INCREASE                    | 1,069      |   |           |  |          |                                      |          |            |
| AIR FORCE                           | FY 1972 OTHER PROCUREMENT, AIR FORCE                    | 100        | FY 1973 OTHER PROCUREMENT, AIR FORCE          | 15,000    | FY 1974 OTHER PROCUREMENT, AIR FORCE   | 10,000   | FY 1975 OTHER PROCUREMENT, AIR FORCE | 10,000   | \$5,800    |
|                                     | FY 1973 OTHER PROCUREMENT, AIR FORCE                    | 3,000      | FY 1973 OTHER PROCUREMENT, AIR FORCE          | 13,000    | FY 1974 OTHER PROCUREMENT, AIR FORCE   | 17,000   |                                      |          |            |
|                                     | FY 1974 OTHER PROCUREMENT, AIR FORCE                    | 23,200     | PRICE INCREASES                               | 1,100     | FY 1974 PROGRAM ESCALATION             | 1,500    |                                      |          |            |
|                                     | TOTALS  | \$120,876  |   | \$84,600  |  | \$76,534 |                                      | \$18,422 | \$269,922  |
|                                     | UNDER OR (OVER) APPLIED                                 | \$153,261) |   | \$11,851) |  | \$ 364   |                                      | \$10,300 | \$154,448) |

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PROCUREMENT OF AMMUNITION, ARMY

| SERVICE BRANCH                          | GENERATIONS (DOLLARS IN THOUSANDS)  |   |  |  |                  | TOTALS    |
|---|-------------------------------------|---|--|--|------------------|-----------|
|   | (FY's 72 - 74) 1972                 | (FY's 73 - 75) 1973   | (FY's 74 - 76) 1974  | (FY's 75 - 77) 1975  |                  |           |
| ARMY                                    |                                     | \$10,506  |  | \$ 7,636   | \$69,700         | \$146,557 |
| NAVY                                    | \$58,715                            | ---   | ---  | ---  | ---              | ---       |
| AIR FORCE                               | ---                                 | ---   | ---  | ---  | ---              | ---       |
| <b>TOTALS</b>                           | <b>\$58,715</b>                     | <b>\$10,506</b>   | <b>\$ 7,636</b>  | <b>\$69,700</b>  | <b>\$146,557</b> |           |
| ARMY                                    | APPLICATIONS (DOLLARS IN THOUSANDS) |   |  |  |                  | TOTALS    |
|   | (FY's 72 - 74) 1972                 | (FY's 73 - 75) 1973   | (FY's 74 - 76) 1974  | (FY's 75 - 77) 1975  |                  |           |
| FY 1972 PROCUREMENT OF AMMUNITION, ARMY | \$100,000                           | FY 1973 OPERATIONS AND MAINTENANCE, ARMY \$ 7,000<br>FY 1974 PROCUREMENT OF AMMUNITION, ARMY 6,000<br>FY 1975 PROCUREMENT OF AMMUNITION, ARMY 7,500 | FY 1974 PROCUREMENT OF AMMUNITION, ARMY \$10,000<br>FY 1975 ARMY TANK PROGRAM 10,000 | DEFENSE STOCK FUND \$ 2,400<br>FY 1975 OPERATIONS AND MAINTENANCE, ARMY 9,600<br>FY 1975 DIRECT PROGRAM INCREASE 9,700 | \$157,200        |           |
| NAVY                                    | ---                                 | ---   | ---  | ---  | ---              | ---       |
| AIR FORCE                               | ---                                 | ---   | ---  | ---  | ---              | ---       |
| <b>TOTALS</b>                           | <b>\$100,000</b>                    | <b>\$15,500</b>   | <b>\$20,000</b>  | <b>\$21,700</b>  | <b>\$157,200</b> |           |
| UNDER OR (OVER) APPLIED                 | \$41,285                            | \$4,994   | \$12,364   | \$48,000   | \$116,643        |           |

PROCUREMENT OF WEAPONS AND TRACKED COMBAT VEHICLES, ARMY  
GENERATIONS (DOLLARS IN THOUSANDS)

| Service Branch | GENERATIONS (DOLLARS IN THOUSANDS) |                      |                      |                      | TOTALS           |
|----------------|------------------------------------|----------------------|----------------------|----------------------|------------------|
|                | (FY's 72-74)<br>1972               | (FY's 73-75)<br>1973 | (FY's 74-76)<br>1974 | (FY's 75-77)<br>1975 |                  |
| Army           | \$ 25,437                          | \$ 20,590            | \$ 19,447            | \$ 38,300            | \$103,774        |
| Navy           | ---                                | ---                  | ---                  | ---                  | ---              |
| Air Force      | ---                                | ---                  | ---                  | ---                  | ---              |
| <b>TOTALS</b>  | <b>\$ 25,437</b>                   | <b>\$ 20,590</b>     | <b>\$ 19,447</b>     | <b>\$ 38,300</b>     | <b>\$103,774</b> |

| Service Branch                 | APPLICATIONS (DOLLARS IN THOUSANDS)   |  |   |   |                    |                            | TOTALS                              |                                      |           |
|--------------------------------|---|--|---|---|--------------------|----------------------------|-------------------------------------|--------------------------------------|-----------|
|                                | (FY's 72-74)<br>1972  | (FY's 73-75)<br>1973   | (FY's 74-76)<br>1974  | (FY's 75-77)<br>1975  | TOTALS             |                            |                                     |                                      |           |
| Army                           | Direct Program Increase<br>FY 1973 Procurement of<br>Weapons and Tracked<br>Combat Vehicles | FY 1973 Operations and<br>Maintenance, Army<br>Army Tank Program<br>Defense Stock Fund | FY 1974 Procurement of<br>Weapons and Tracked<br>Combat Vehicles<br>FY 1975 Procurement of<br>Weapons and Tracked<br>Combat Vehicles<br>Army Tank Program | FY 1975 Procurement of<br>Weapons and Tracked<br>Combat Vehicles<br>Defense Stock Fund<br>Operations and<br>Maintenance, Army<br>FY 1975 Direct Program<br>Increase | \$ 4,300<br>21,000 | \$ 10,000<br>11,000<br>500 | \$ 5,000<br>5,000<br>3,000<br>4,000 | \$ 5,000<br>5,000<br>20,000<br>5,300 | \$ 97,100 |
| Navy                           | ---   | ---  | ---   | ---   | ---                | ---                        | ---                                 | ---                                  | ---       |
| Air Force                      | ---   | ---  | ---   | ---   | ---                | ---                        | ---                                 | ---                                  | ---       |
| <b>TOTALS</b>                  | <b>\$ 25,300</b>  | <b>\$ 21,500</b>   | <b>\$ 12,000</b>  | <b>\$ 18,300</b>  | <b>\$ 97,100</b>   |                            |                                     |                                      |           |
| <b>UNDER OR (OVER) APPLIED</b> | <b>\$ 137</b>   | <b>\$( 210)</b>  | <b>\$ 7,447</b>   | <b>\$ 0</b>   | <b>\$ 6,674</b>    |                            |                                     |                                      |           |

PROCUREMENT OF AIRCRAFT AND MISSILES, NAVY

| SERVICE BRANCH          | GENERATIONS (DOLLARS IN THOUSANDS)  |   |  |                     |        | TOTALS   |
|-------------------------|---|---|--|---------------------|--------|----------|
|                         | (FY's 72 - 74) 1972   | (FY's 73 - 75) 1973   | (FY's 74 - 76) 1974                        | (FY's 75 - 77) 1975 |        |          |
| ARMY                    | \$ ---  | \$ ---  | \$ ---                                     | \$ ---              | \$ --- | \$ ---   |
| NAVY                    | 37,200  | 32,304  | ---  | ---                 | ---    | 69,504   |
| AIR FORCE               | ---   | ---   | ---  | ---                 | ---    | ---      |
| TOTALS                  | \$37,200  | \$32,304  | \$ 0                                       | \$ 0                | \$ 0   | \$69,504 |
| SERVICE BRANCH          | APPLICATIONS (DOLLARS IN THOUSANDS)   |   |  |                     |        | TOTALS   |
|                         | (FY's 72 - 74) 1972   | (FY's 73 - 75) 1973   | (FY's 74 - 76) 1974                        | (FY's 75 - 77) 1975 |        |          |
| ARMY                    | \$ ---  | \$ ---  | \$ ---                                     | \$ ---              | \$ --- | \$ ---   |
| NAVY                    | FY 1972 PROCUREMENT OF AIRCRAFT AND MISSILES, NAVY<br>AV-8A AIRCRAFT<br>A-6A CONVERSION<br>T-39 AIRCRAFT SERVICE LIFE EXTENSION<br>SUPPORT FOR EXCAP. DEPLOYMENT<br>VAST INITIAL SPARES<br>AV-8A INITIAL SPARES<br>FY 1974 NAVY PROGRAM | FY 1973 OPERATIONAL SATELLITE PROGRAM<br>ZF90 FLIGHT SIMULATOR<br>PROBLEM SOLVING EFFORT FOR TF-41, T-58, AND F-402 ENGINES<br>3D PROCUREMENT<br>FY 1974 NAVY PROGRAM | 3,600<br>2,890<br>3,200<br>4,400<br>17,600 | ---                 | ---    | 68,800   |
| AIR FORCE               | ---   | ---   | ---  | ---                 | ---    | ---      |
| TOTALS                  | \$37,200  | \$31,600  | \$ 0                                       | \$ 0                | \$ 0   | \$68,800 |
| UNDER OR (OVER) APPLIED | \$ 0  | \$ 704  | \$ 0                                       | \$ 0                | \$ 0   | \$ 734   |

WEAPONS PROCUREMENT, NAVY

| SERVICE BRANCH          | GENERATIONS (DOLLARS IN THOUSANDS)  |                     |                     |                     |        | TOTALS   |
|-------------------------|-------------------------------------|---------------------|---------------------|---------------------|--------|----------|
|                         | (FY's 72 - 74) 1972                 | (FY's 73 - 75) 1973 | (FY's 74 - 76) 1974 | (FY's 75 - 77) 1975 |        |          |
| ARMY                    | \$ ---                              | \$ ---              | \$ ---              | \$ ---              | \$ --- | \$ ---   |
| NAVY                    | ---                                 | ---                 | ---                 | 8,519               | ---    | 8,519    |
| AIR FORCE               | ---                                 | ---                 | ---                 | ---                 | ---    | ---      |
| TOTALS                  | \$ 0                                | \$ 0                | \$ 8,519            | \$ 0                | \$ 0   | \$ 8,519 |
| SERVICE BRANCH          | APPLICATIONS (DOLLARS IN THOUSANDS) |                     |                     |                     |        | TOTALS   |
|                         | (FY's 72 - 74) 1972                 | (FY's 73 - 75) 1973 | (FY's 74 - 76) 1974 | (FY's 75 - 77) 1975 |        |          |
| ARMY                    | ---                                 | ---                 | ---                 | ---                 | ---    | ---      |
| NAVY                    | ---                                 | ---                 | ---                 | ---                 | ---    | ---      |
| AIR FORCE               | ---                                 | ---                 | ---                 | ---                 | ---    | ---      |
| TOTALS                  | \$ 0                                | \$ 0                | \$ 8,519            | \$ 0                | \$ 0   | \$ 8,519 |
| UNDER OR (OVER) APPLIED | \$ 0                                | \$ 0                | \$ 0                | \$ 0                | \$ 0   | \$ 0     |

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| SHIPBUILDING AND CONVERSION, NAVY   |                      |          |   |          |  |                       |                      |          |           |
|-------------------------------------|----------------------|----------|---|----------|--|-----------------------|----------------------|----------|-----------|
| GENERAL TONS (DOLLARS IN THOUSANDS) |                      |          |   |          |  |                       |                      |          |           |
| Service Branch                      | (FY's 72-74)<br>1972 |          | (FY's 73-75)<br>1973                            |          | (FY's 74-76)<br>1974                               |                       | (FY's 75-77)<br>1975 |          | TOTALS    |
|                                     | Army                 |          | \$ ---  |          | \$ ---   |                       | \$ ---               |          |           |
| Navy                                |                      | 3,623    |   | 5,693    |  | 9,833                 |                      | 6,464    | 25,613    |
| Air Force                           |                      | ---      |   | ---      |  | ---                   |                      | ---      | ---       |
| TOTALS                              |                      | \$ 3,623 |   | \$ 5,693 |  | \$ 9,833              |                      | \$ 6,464 | \$ 25,613 |
| APPLICATIONS (DOLLARS IN THOUSANDS) |                      |          |   |          |  |                       |                      |          |           |
| Service Branch                      | (FY's 72-74)<br>1972 |          | (FY's 73-75)<br>1973                            |          | (FY's 74-76)<br>1974                               |                       | (FY's 75-77)<br>1975 |          | TOTALS    |
|                                     | Army                 |          |   |          |  |                       |                      |          |           |
| Navy                                | Cost Growth          | 3,000    | Cost Growth<br>Prior Year Program<br>Completion | 2,500    | Cost Growth<br>Escalation<br>SSBN Poseidon Missile | 4,563<br>437<br>4,800 |                      |          | 18,400    |
| Air Force                           |                      |          |   |          |  |                       |                      |          |           |
| TOTALS                              |                      | \$ 3,000 |   | \$ 5,000 |  | \$ 9,800              |                      | \$ 0     | \$ 18,400 |
| UNDER OR (OVER) APPLIED             |                      | \$ 623   |   | \$ 93    |  | \$ 33                 |                      | \$ 6,464 | \$ 7,213  |

| PROCUREMENT, MARINE CORPS           |                                    |        |                      |        |                      |        |                      |          |          |
|-------------------------------------|------------------------------------|--------|----------------------|--------|----------------------|--------|----------------------|----------|----------|
| Service Branch                      | GENERATIONS (DOLLARS IN THOUSANDS) |        |                      |        |                      |        |                      |          |          |
|                                     | (FY's 72-74)<br>1972               |        | (FY's 73-75)<br>1973 |        | (FY's 74-76)<br>1974 |        | (FY's 75-77)<br>1975 |          | TOTALS   |
| Army                                |                                    | \$ --- |                      | \$ --- |                      | \$ --- |                      | \$ ---   | \$ ---   |
| Navy                                |                                    | ---    |                      | ---    |                      | ---    |                      | ---      | ---      |
| Air Force                           |                                    | ---    |                      | ---    |                      | ---    |                      | ---      | ---      |
|                                     | TOTALS                             | \$ 0   |                      | \$ 0   |                      | \$ 0   |                      | \$ 3,490 | \$ 3,490 |
| APPLICATIONS (DOLLARS IN THOUSANDS) |                                    |        |                      |        |                      |        |                      |          |          |
| Service Branch                      | (FY's 72-74)<br>1972               |        | (FY's 73-75)<br>1973 |        | (FY's 74-76)<br>1974 |        | (FY's 75-77)<br>1975 |          | TOTALS   |
|                                     |                                    | \$ --- |                      | \$ --- |                      | \$ --- |                      | \$ ---   | \$ ---   |
| Army                                | ---                                | ---    | ---                  | ---    | ---                  | ---    | ---                  | ---      | ---      |
| Nav                                 | ---                                | ---    | ---                  | ---    | ---                  | ---    | ---                  | ---      | ---      |
| Air Force                           | ---                                | ---    | ---                  | ---    | ---                  | ---    | ---                  | ---      | ---      |
|                                     | TOTALS                             | \$ 0   |                      | \$ 0   |                      | \$ 0   |                      | \$ 3,490 | \$ 3,490 |
|                                     | UNDER OR (OVER) APPLIED            | \$ 0   |                      | \$ 0   |                      | \$ 0   |                      | \$ 0     | \$ 0     |

FREE-ASSET GENERATIONS AND APPLICATIONS  
FOR DEPARTMENT OF DEFENSE  
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION APPROPRIATIONS  
FOR FISCAL YEARS 1974 AND 1975  
AS OF JUNE 30, 1975

| SERVICE<br>BRANCH | GENERATIONS (DOLLARS IN THOUSANDS)                                   |                |   |                 |                 |
|-------------------|--|----------------|---|-----------------|-----------------|
|                   | FISCAL YEAR 1974   |                | FISCAL YEAR 1975  |                 | TOTALS          |
| ARMY              |  | \$4,750        |   | \$17,393        | \$22,143        |
| NAVY              |  | ---            |   | 27,700          | 27,700          |
| AIR FORCE         |  | 2,500          |   | 13,785          | 16,285          |
|                   | TOTALS   | <u>\$7,250</u> |   | <u>\$58,878</u> | <u>\$66,128</u> |
|                   | APPLICATIONS (DOLLARS IN THOUSANDS)                                  |                |   |                 |                 |
|                   | FISCAL YEAR 1974   |                | FISCAL YEAR 1975  |                 | TOTALS          |
| ARMY              | FY 1974 RESEARCH, DEVELOPMENT,<br>TEST, AND EVALUATION LINE<br>ITEMS | \$4,750        | FY 1975 RESEARCH, DEVELOPMENT, TEST,<br>AND EVALUATION LINE ITEMS | \$17,393        | \$22,143        |
| NAVY              | ---  | ---            | FY 1975 RESEARCH, DEVELOPMENT, TEST,<br>AND EVALUATION            | 27,700          | \$27,700        |
| AIR FORCE         | FY 1974 F-5F DEVELOPMENT   | 2,500          | FY 1975 F-5F REQUIREMENTS   | 13,785          | 16,285          |
|                   | TOTALS   | <u>\$7,250</u> |   | <u>\$58,878</u> | <u>\$66,128</u> |
|                   | UNDER OR (OVER) APPLIED  | \$ 0           |   | \$ 0            | \$ 0            |

ARMY ARMAMENT COMMAND'S FREE-ASSET  
GENERATIONS FROM SALES WITHOUT REPLACEMENT  
FOR PROGRAM YEAR 1974 (FISCAL YEARS 1974-76)  
AS OF APRIL 30, 1975

| <u>Customer</u>    | <u>Free assets from sales<br/>without replacement</u> |
|--------------------|---|
|                    | (thousands)   |
| Argentina          | \$ 69.3   |
| Australia          | 19.4  |
| Austria            | 3.9   |
| Belgium            | 146.9   |
| Bolivia            | 49.2  |
| Brazil             | 391.8   |
| Cambodia           | 16,218.6  |
| Canada             | 454.3   |
| Columbia           | 91.8  |
| Denmark            | 272.8   |
| Dominican Republic | 12.6  |
| Ethiopia           | 583.0   |
| El Salvador        | 21.0  |
| France             | 6.8   |
| Greece             | 3,173.2   |
| Guatemala          | 9.6   |
| Haiti              | 175.3   |
| Honduras           | 184.6   |
| Indonesia          | 26.6  |
| Iran               | 2,344.3   |
| Israel             | 66,028.7  |
| Italy              | .8  |
| Jamaica            | 3.0   |
| Japan              | 1.8   |
| Jordan             | 619.2   |
| Liberia            | .6  |
| Malaysia           | 40.6  |
| Mexico             | 101.0   |
| Netherlands        | 162.8   |
| New Zealand        | 2.0   |
| Nigeria            | 2.2   |
| Norway             | 293.6   |
| Panama             | 10.0  |
| Peru               | 139.3   |
| Philippines        | 382.4   |
| Saudi Arabia       | 337.3   |
| Singapore          | 45.0  |
| South Korea        | 471.5   |

## APPENDIX III

## APPENDIX III

| <u>Customer</u>                        | <u>Free assets from sales<br/>without replacement</u><br><br>(thousands) |
|--|--|
| Spain                                  | \$ 740.9   |
| Sweden                                 | 20.8   |
| Switzerland                            | .9   |
| Taiwan                                 | 1,463.7  |
| Thailand                               | 109.7  |
| Tunisia                                | 8.3  |
| Turkey                                 | 27.6   |
| United Kingdom                         | 92.8   |
| Venezuela                              | 2.9  |
| Air Force                              | 529.8  |
| Inter-Army                             | 465.2  |
| Marines                                | 1,314.2  |
| Navy                                   | 452.8  |
| Other Federal agencies                 | 498.6  |
| All others                             | <u>321.3</u>   |
| Total                                  | <u>\$98,946.3</u>  |
| <u>Ammunition, by class</u>            |  |
| Ammunition through 30-mm.              | \$ 1,789.0   |
| Ammunition over 30-mm. up to 75-mm.    | 10,133.2   |
| Ammunition over 75-mm. through 125-mm. | 4,138.9  |
| Ammunition over 125-mm.                | 12,745.9   |
| Grenades                               | 12,718.8   |
| Other ammunition                       | <u>29,107.1</u>  |
| Total                                  | <u>70,632.9</u>  |
| <u>Weapons, by size</u>                |  |
| Weapons through 30-mm.                 | 9,546.2  |
| Weapons over 125-mm.                   | 15,879.5   |
| Other weapons and accessories          | <u>2,892.7</u>   |
| Total                                  | <u>28,318.4</u>  |
| Total                                  | <u>\$98,951.3</u>  |

ARMY MISSILE COMMAND'S  
FREE-ASSET GENERATIONS FOR PROGRAM YEAR 1974  
(FISCAL YEARS 1974-76) AS OF JUNE 30, 1975

| <u>Customer</u>         | <u>Item</u>         | <u>Sale value</u> | <u>Free assets</u>    |                                  | <u>Total</u> |
|-------------------------|---------------------|-------------------|-----------------------|----------------------------------|--------------|
|                         |                     |                   | <u>Generated type</u> | <u>Sales without replacement</u> |              |
| ----- (thousands) ----- |                     |                   |                       |                                  |              |
| Belgium                 | Lance               | \$ 5,068.0        | \$ 1,540.7            | \$ -                             | \$ -         |
|                         | Hercules            | 579.7             | -                     | 579.7                            | 2,120.4      |
| Canada                  | 2.75 rocket         | 903.6             | .3                    | -                                | .3           |
| Denmark                 | TOW (note a)        | 4,968.0           | 879.2                 | -                                | -            |
|                         | Redeye              | 86.6              | -                     | 6.6                              | 885.8        |
| Germany                 | TOW                 | 731.1             | -.2                   | -                                | -            |
|                         | Calibration         | 21.4              | 2.5                   | -                                | -            |
|                         | Lance               | 43,493.4          | 1,439.8               | -                                | -            |
|                         | Sergeant            | 7.0               | -                     | 7.0                              | -            |
|                         | Air Defense Targets | 130.0             | 33.5                  | -                                | -            |
|                         | Hawk                | 36.3              | -6.7                  | 6.1                              | -            |
|                         | Hercules            | 193.0             | -                     | -                                | -            |
|                         | Pershing            | 12.8              | -                     | 12.8                             | -            |
| Greece                  | TOW                 | 15,338.9          | 127.5                 | -                                | 1,622.3      |
|                         | TOW                 | 2,592.1           | 20.1                  | -                                | 20.1         |
| Iran                    | TOW                 | 8,525.4           | 208.5                 | -                                | -            |
|                         | Calibration         | 895.2             | -43.8                 | -                                | -            |
|                         | Hawk                | 46,260.6          | 9,344.4               | -                                | -            |
|                         | 2.75 rocket         | 1.8               | -                     | 1.8                              | 9,510.9      |
| Israel                  | TOW                 | 51,000.0          | -310.3                | 127.2                            | -            |
|                         | Chaparral           | 15,012.3          | -                     | 15,012.3                         | -            |
|                         | Hawk                | 12,486.7          | 4.2                   | 12,444.6                         | 27,278.0     |
| Italy                   | TOW                 | 9,036.4           | -1.0                  | -                                | -            |
|                         | Lance               | 4,407.7           | 1,765.1               | -                                | -            |
|                         | Hercules            | 318.9             | -                     | -                                | 1,764.1      |
| Japan                   | Calibration         | 186.1             | .2                    | 3.0                              | -            |
|                         | Targets             | 197.5             | -                     | 197.5                            | -            |
|                         | Hawk                | 4.9               | .3                    | -                                | -            |
|                         | Hercules            | 2,804.8           | -.3                   | 1,577.7                          | 1,778.4      |

## APPENDIX IV

## APPENDIX IV

| <u>Customer</u>         | <u>Item</u> | <u>Sale value</u> | <u>Free assets</u>    |                                  | <u>Total</u> |
|-------------------------|-------------|-------------------|-----------------------|----------------------------------|--------------|
|                         |             |                   | <u>Generated type</u> | <u>Sales without replacement</u> |              |
| ----- (thousands) ----- |             |                   |                       |                                  |              |
| Jordan                  | TOW         | \$ 3,391.2        | \$ 620.0              | \$ -                             | \$ 620.0     |
| Korea                   | Calibration | 297.6             | 297.6                 | -                                | -            |
|                         | Hawk        | 82.7              | 58.1                  | -                                | 355.7        |
| Kuwait                  | TOW         | 17.1              | -                     | 17.1                             | 17.1         |
| Luxembourg              | TOW         | 434.1             | 97.7                  | -                                | 97.7         |
| Netherlands             | TOW         | 8,658.4           | 1,725.4               | 3.2                              | -            |
|                         | Hercules    | 130.2             | -                     | -                                | 1,728.6      |
| Norway                  | TOW         | 18,027.7          | 1,899.5               | -                                | -            |
|                         | Hercules    | .4                | -                     | .4                               | 1,899.9      |
| NATO                    | Calibration | 3.2               | -                     | 3.2                              | -            |
|                         | Lance       | 4,649.0           | 260.0                 | 2.9                              | -            |
|                         | Air defense | 1.7               | .4                    | -                                | -            |
|                         | Hawk        | 142.6             | 5.3                   | -                                | -            |
|                         | Hercules    | 290.3             | 118.8                 | 7.2                              | 397.8        |
| Philippines             | Calibration | .1                | .1                    | -                                | .1           |
| Spain                   | Targets     | 4.0               | -                     | 4.0                              | -            |
|                         | Hercules    | 12.9              | -                     | .8                               | -            |
|                         | Hawk        | 10.8              | -                     | -                                | 4.8          |
| Thailand                | Calibration | .3                | -                     | .3                               | .3           |
| Turkey                  | TOW         | 1,690.7           | -                     | -                                | -            |
|                         | Calibration | 10.7              | 8.9                   | 1.4                              | -            |
|                         | Hercules    | 639.7             | -1.8                  | -                                | 8.5          |
| Taiwan                  | Chaparral   | 459.6             | -                     | -                                | -            |
|                         | Calibration | 42.9              | -1.5                  | 3.3                              | -            |
|                         | Hercules    | 156.5             | -14.8                 | 37.9                             | -            |
|                         | Hawk        | .1                | -                     | -                                | 24.9         |
| United Kingdom          | Lance       | 54,523.6          | 1,913.7               | -                                | 1,913.7      |

## APPENDIX IV

## APPENDIX IV

| <u>Customer</u>                   | <u>Item</u>  | <u>Sale Value</u>         | <u>Free assets</u>       |                                  | <u>Total</u>             |
|-----------------------------------|--------------|---------------------------|--------------------------|----------------------------------|--------------------------|
|                                   |              |                           | <u>Generated type</u>    | <u>Sales without replacement</u> |                          |
| ----- (thousands) -----           |              |                           |                          |                                  |                          |
| Inactive cases                    | Hawk         | \$ 157.5                  | \$ -                     | \$ 157.6                         | \$ -                     |
|                                   | Hercules     | 35.0                      | -                        | 35.0                             | 192.6                    |
| Damage claims against carriers    | Hercules     | 64.9                      | -                        | 64.9                             | 64.9                     |
| Air Force                         | Targets      | 84.0                      | -                        | -                                | -                        |
|                                   | 2.75 rocket  | 11,978.2                  | 566.8                    | -                                | 566.8                    |
|                                   | Calibration  | 12.0                      | -                        | -                                | -                        |
| Marines                           | TOW          | 22,343.0                  | -                        | -                                | -                        |
|                                   | Hawk         | 30,366.1                  | 58.2                     | -                                | 58.2                     |
| Navy                              | Targets      | 10.2                      | -                        | -                                | -                        |
|                                   | TOW          | 93.0                      | 71.4                     | -                                | -                        |
|                                   | 2.75 rocket  | 6,558.8                   | 1.2                      | -                                | 72.6                     |
| Safeguard                         | Safeguard    | -                         | -66.2                    | -                                | -66.2                    |
| Free assets used at command level | Repair parts | <u>-4,934.4</u>           | <u>-4,956.8</u>          | <u>22.4</u>                      | <u>-4,934.4</u>          |
| <b>Total</b>                      |              | <b><u>\$385,746.7</u></b> | <b><u>\$17,666.0</u></b> | <b><u>\$30,337.9</u></b>         | <b><u>\$48,003.9</u></b> |

a/Tube-launched, optically tracked, wire-guided missile.

ARMY TANK-AUTOMOTIVE COMMAND'S  
FREE-ASSET GENERATIONS FOR PROGRAM YEAR 1974  
(FISCAL YEARS 1974-76) AS OF APRIL 30, 1975

| <u>Customer</u>         | <u>Item</u>                                   | <u>Sale value</u> | <u>Free assets</u>    |                                  | <u>Total</u> |
|-------------------------|---|-------------------|-----------------------|----------------------------------|--------------|
|                         |   |                   | <u>Generated type</u> | <u>Sales without replacement</u> |              |
| ----- (thousands) ----- |   |                   |                       |                                  |              |
| Canada                  | M151A2 1/4-ton truck                          | \$ 3,515.6        | \$ 271.8              | \$ -                             | \$ -         |
|                         | Rustproofing                                  | 121.6             | .9                    | -                                | 272.7        |
| Chile                   | M43R1 3/4-ton ambulance                       | 24.2              | -                     | 24.2                             | 24.2         |
| Germany                 | M113A1 conversion and modernization kit       | 16,970.0          | 1,997.8               | -                                | 1,997.8      |
|                         | M151A2 1/4-ton truck                          | 75.2              | 2.4                   | -                                | 2.4          |
| Iran                    | M151A2 1/4-ton truck                          | 1,353.6           | 108.5                 | -                                | -            |
|                         | M36A2 2-1/2-ton cargo truck                   | 241.2             | -7.2                  | -                                | -            |
|                         | M35A2 2-1/4-ton cargo truck                   | 25.5              | - .8                  | -                                | -            |
|                         | M54R 6-ton tracked cargo carrier              | 8,278.7           | 561.1                 | -                                | -            |
|                         | M577A1 light-tracked command-post carrier     | 17,085.0          | 730.2                 | -                                | -            |
|                         | M113A1 full-tracked armored personnel carrier | 15,212.5          | 539.6                 | -                                | -            |
|                         | M35A3 2-1/2-ton cargo truck                   | 479.6             | 9.9                   | -                                | -            |
|                         | M35A2 2-1/2-ton cargo truck                   | 148.0             | -1.4                  | -                                | -            |
|                         | M36A2 2-1/2-ton cargo truck                   | 995.5             | -53.5                 | -                                | -            |
|                         | M151A2 1/4-ton truck                          | 2,574.6           | 197.5                 | -                                | -            |
|                         | M715A1 1/4-ton frontline ambulance truck      | 293.7             | - .7                  | -                                | -            |
|                         | M151A2 1/4-ton truck                          | 530.2             | -                     | 530.2                            | -            |
|                         | M416 1/4-ton cargo truck                      | 23.9              | -                     | 23.9                             | 2,637.3      |

## APPENDIX V

## APPENDIX V

| <u>Customer</u>         | <u>Item</u>                                   | <u>Sale value</u>                        | <u>Free assets</u>    |                                  | <u>Total</u> |       |
|-------------------------|---|--|-----------------------|----------------------------------|--------------|-------|
|                         |   |  | <u>Generated type</u> | <u>Sales without replacement</u> |              |       |
| ----- (thousands) ----- |   |  |                       |                                  |              |       |
| Israel                  | [CLASSIFIED]                                  | \$ 455.8                                 | \$ 49.0               | \$ -                             | \$ -         |       |
|                         | M113A1 full-tracked armored personnel carrier | 464.5                                    | 51.7                  | -                                | -            |       |
|                         | M577A1 light-tracked command-post carrier     | 3,829.1                                  | 223.7                 | -                                | -            |       |
|                         | M113A1 full-tracked armored personnel carrier | 201,711.3                                | 12,914.5              | -                                | -            |       |
|                         | M548 6-ton-tracked cargo carrier              | 5,600.7                                  | 349.4                 | -                                | -            |       |
|                         | M125A1 10-ton cargo truck                     | 50,762.3                                 | 6,221.1               | -                                | -            |       |
|                         | M36A2 2-1/2-ton cargo truck                   | 1,632.9                                  | -48.4                 | -                                | -            |       |
|                         | M151A2 1/4-ton utility truck                  | 1,880.0                                  | 186.9                 | -                                | -            |       |
|                         | M813A1 5-ton cargo truck                      | 45,678.0                                 | 828.0                 | -                                | -            |       |
|                         | M814 5-ton tractor truck                      | 131.9                                    | 109.7                 | -                                | -            |       |
|                         | M818 5-ton tractor truck                      | 5,584.1                                  | 114.2                 | -                                | -            |       |
|                         | M811A1 5-ton chassis truck                    | 3,957.1                                  | 76.7                  | -                                | -            |       |
|                         | [CLASSIFIED]                                  | 1,256.3                                  | -                     | 1,256.3                          | -            |       |
|                         | [CLASSIFIED]                                  | 926.1                                    | -                     | 926.1                            | -            |       |
|                         | Jordan  | M36A2 2-1/2-ton cargo truck              | 5,283.0               | 190.1                            | -            | 190.1 |
|                         | Kuwait  | M718A1 1/4-ton frontline ambulance truck | 108.6                 | .1                               | -            | -     |
|                         |   | M751A2 2-1/2-ton bolster truck           | 1,880.0               | 113.2                            | -            | -     |
|                         |   | M816 5-ton wrecker truck                 | 525.7                 | 5.0                              | -            | -     |
|                         |   | M813 5-ton cargo truck                   | 11,328.3              | 210.8                            | -            | 329.1 |
|                         |   | M35A2 2-1/2-ton cargo truck              | 58.2                  | .3                               | -            | -     |
| Liberia                 | Construction loader                           | 158.4                                    | 11.5                  | -                                | -            |       |
|                         | Communication equipment vehicle               | 22.7                                     | 1.6                   | -                                | -            |       |
|                         | M825 1/4-ton truck                            | 17.6                                     | 1.3                   | -                                | -            |       |
|                         | M151A2 1/4-ton truck                          | 351.1                                    | 8.2                   | -                                | -            |       |
|                         |   |  |                       |                                  |              |       |

## APPENDIX V

## APPENDIX V

| <u>Customer</u>         | <u>Item</u>   | <u>Sale<br/>blue</u> | <u>Free assets</u>        |  | <u>Total</u> |
|-------------------------|---|----------------------|---------------------------|--|--------------|
|                         |   |                      | <u>Generated<br/>type</u> | <u>Sales<br/>without<br/>replace-<br/>ment</u> |              |
| ----- (thousands) ----- |   |                      |                           |  |              |
|                         | M342A2 2-1/2-ton<br>Jump truck                            | \$ 101.8             | \$ -                      | \$ -   | \$ -         |
|                         | M35A2 2-1/2-ton<br>cargo truck                            | 49.6                 | .9                        | -  | -            |
|                         | M151A2 1/4-ton<br>truck                                   | 18.8                 | -                         | 18.8   | -            |
|                         | M718A1 1/4-ton<br>frontline ambu-<br>lance truck          | 12.5                 | -                         | 12.5   | 55.1         |
| Morocco                 | M46A2C 2-1/2-ton<br>chassis truck                         | 27.3                 | - .8                      | -  | -            |
|                         | M825 1/4-ton<br>truck                                     | 29.3                 | 5.6                       | -  | -            |
|                         | M813 5-ton<br>cargo truck                                 | 607.9                | -                         | 607.9  | 612.7        |
| New<br>Zealand          | M816 5-ton<br>wrecker truck                               | 60.1                 | -                         | 60.1   | 60.1         |
| Norway                  | M113A1 full-<br>tracked armored<br>personnel car-<br>rier | 2,051.7              | -                         | -  | -            |
| Panama                  | M718A1 1/4-ton<br>frontline ambu-<br>lance truck          | 14.2                 | .5                        | -  | -            |
|                         | M35A2 2-1/2-ton<br>cargo truck                            | 299.5                | - 8.4                     | -  | - 7.9        |
| Spain                   | M548 6-ton<br>tracked cargo<br>carrier                    | 1,685.7              | 159.9                     | -  | 159.9        |
| Saudi<br>Arabia         | M50A3 1,000-<br>gallon-tank wa-<br>ter truck              | 306.2                | 3.2                       | -  | -            |
|                         | M825 1/4-ton<br>utility truck                             | 1,700.0              | 92.1                      | -  | -            |
|                         | M151A2 1/4-ton<br>utility truck                           | 4,782.7              | 533.8                     | -  | -            |
|                         | M50A3 1,000-<br>gallon-tank wa-<br>ter truck              | 184.9                | 2.0                       | -  | -            |
|                         | M342A2 2-1/2-<br>ton dump truck                           | 609.2                | - 16.0                    | -  | -            |
|                         | M342A2C 2-1/2-<br>ton dump truck                          | 29,365.7             | 71.5                      | -  | -            |
|                         | M109A3 2-1/2-<br>ton van shop<br>truck                    | 362.2                | - 7.1                     | -  | -            |

## APPENDIX V

## APPENDIX V

| <u>Customer</u>         | <u>Item</u>                  | <u>Sale<br/>value</u> | <u>Free assets</u>        |  | <u>Total</u>      |
|-------------------------|------------------------------|-----------------------|---------------------------|--|-------------------|
|                         |                              |                       | <u>Generated<br/>type</u> | <u>Sales<br/>without<br/>replace-<br/>ment</u> |                   |
| ----- (thousands) ----- |                              |                       |                           |  |                   |
|                         | M816 5-ton<br>wrecker truck  | \$ 7,886.0            | \$ 75.3                   | \$ -   | \$ -              |
|                         | M813 5-ton<br>cargo truck    | 22,854.8              | 426.7                     | -  | 1,181.3           |
| Taiwan                  | M151A2 1/4-ton<br>truck      | 1,597.5               | 14.3                      | -  | -                 |
|                         | M37B1 3/4-ton<br>cargo truck | 176.2                 | -                         | 176.2  | 190.5             |
| Venezuela               | M825 1/4-ton<br>truck        | 60.3                  | 1.8                       | -  | 1.8               |
| <b>Total</b>            |                              | <u>\$486,396.5</u>    | <u>\$27,329.8</u>         | <u>\$3,636.2</u>                               | <u>\$30,966.0</u> |

APPENDIX VI

APPENDIX VI

CHARLES E. BENNETT, FLA.  
 SAMUEL S. STRATTON, N.Y.  
 RICHARD H. ICARD, MD.  
 LUCIEN H. WEDD, MICH.  
 WILLIAM J. RANDALL, MD.  
 CHARLES H. WILSON, CALIF.  
 ROBERT L. LEGGETT, CALIF.  
 FLOYD V. HICKS, WASH.  
 RICHARD C. WHITE, TEX.  
 BILL NICHOLS, FLA.  
 JACK BRINKLEY, CA.  
 ROBERT H. (LOU) MULLOHAH, W. VA.  
 DAN DANIEL, VA.  
 G. V. (SONNY) MONTGOMERY, M. SS.  
 HAROLD PUNHILL, N. MEX.  
 LEE ASPIN, WIS.  
 RONALD V. DILLONS, CALIF.  
 MENDEL J. OFWIS, S. C.  
 PATRICIA SCHROEDER, COLO.  
 ABRAHAM RAJEN, JR., TEX.  
 ANTONIO B. WOH PAT, GUAM  
 BOB CARR, MICH.  
 JIM LLOYD, CALIF.  
 LARRY MC DONALD, CA.  
 THOMAS J. DOWNEY, N.Y.

**U.S. House of Representatives**  
**COMMITTEE ON ARMED SERVICES**  
 Washington, D.C. 20515  
 NINETY-FOURTH CONGRESS  
 MELVIN PRICE, CHAIRMAN

WILLIAM L. OCKRINSKY, MD.  
 G. WILLIAM WHITEHURST, VA.  
 FLOYD D. SPENCER, D.C.  
 DAVID E. TREIN, LA.  
 GEORGE M. O'BRIEN, ILL.  
 ROBIN L. BEARD, TENN.  
 DONALD J. MITCHELL, N.Y.  
 MARJORIE B. HOLT, MD.  
 ROBERT W. DANIEL, JR., VA.  
 ELWOOD M. (BUD) HILLIS, IND.  
 ANDREW J. HINSHAW, CALIF.  
 RICHARD T. SCHULZ, PA.  
 FRANK M. BLATINSKER, CHIEF COUNSEL

February 25, 1975

8-183318

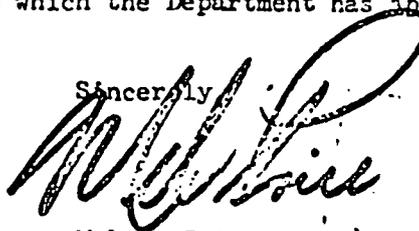
Hon. Elmer B. Staats  
 Comptroller General of the United States  
 General Accounting Office  
 Washington, D. C.

Dear Mr. Staats:

In two recent reprogramming requests submitted to the Congress by the Department of Defense, reference has been made to the "free assets" of the Department. We have been informed by the Department that the term "free assets" has been used to describe receipts from sales of equipment for which there is no requirement for replacement in kind in the DOD inventories.

Since the Department was unable to provide us with a report on its "free assets", I request that your office conduct an audit of those funds. Your audit should develop the total amount available to the Department in free assets. It should also identify the equipment sales from which those assets have been derived or are anticipated. The audit should further identify the transactions in which the Department has applied free assets and the amounts so applied.

Sincerely,



Melvin Price  
 Chairman

MP:jlj

PRINCIPAL OFFICIALS OF  
THE DEPARTMENT OF DEFENSE AND THE  
DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE  
RESPONSIBLE FOR THE ACTIVITIES  
DISCUSSED IN THIS REPORT

|  | <u>Tenure of office</u> |           |
|--|-------------------------|-----------|
|  | <u>From</u>             | <u>To</u> |
| <u>DEPARTMENT OF DEFENSE</u>   |                         |           |
| <b>SECRETARY OF DEFENSE:</b>   |                         |           |
| Donald H. Rumsfeld   | Nov. 1975               | Present   |
| James R. Schlesinger   | July 1973               | Nov. 1975 |
| William P. Clements, Jr.<br>(acting)                                     | Apr. 1973               | July 1973 |
| Elliot L. Richardson   | Jan. 1973               | Apr. 1973 |
| Melvin R. Laird  | Jan. 1969               | Jan. 1973 |
| <b>DEPUTY SECRETARY OF DEFENSE:</b>                                      |                         |           |
| William P. Clements, Jr.   | Jan. 1973               | Present   |
| Kenneth Rush   | Feb. 1972               | Jan. 1973 |
| Vacant   | Jan. 1972               | Feb. 1972 |
| <b>ASSISTANT SECRETARY OF DEFENSE<br/>(INSTALLATIONS AND LOGISTICS):</b> |                         |           |
| John J. Bennett (acting)   | Mar. 1975               | Present   |
| Arthur I. Mendolia   | June 1973               | Mar. 1975 |
| Hugh McCullough (acting)   | Jan. 1973               | June 1973 |
| Barry J. Shillito  | Jan. 1969               | Jan. 1973 |
| <b>ASSISTANT SECRETARY OF DEFENSE<br/>(COMPTROLLER):</b>                 |                         |           |
| Terence E. McClary   | June 1973               | Present   |
| Don R. Brazier (acting)  | Jan. 1973               | June 1973 |
| Robert C. Moot   | Aug. 1968               | Jan. 1973 |
| <u>DEPARTMENT OF THE ARMY</u>  |                         |           |
| <b>SECRETARY OF THE ARMY:</b>  |                         |           |
| Martin R. Hoffmann   | Aug. 1975               | Present   |
| Howard H. Callaway   | July 1973               | Aug. 1975 |
| Robert F. Froehke  | Jan. 1971               | Apr. 1973 |

## APPENDIX VII

## APPENDIX VII

| <u>Tenure of office</u> |             |           |
|-------------------------|-------------|-----------|
|                         | <u>From</u> | <u>To</u> |

DEPARTMENT OF THE ARMY (continued)

## UNDER SECRETARY OF THE ARMY:

|                     |           |           |
|---------------------|-----------|-----------|
| Norman R. Augustine | May 1975  | Present   |
| Vacant              | Apr. 1975 | May 1975  |
| Herman R. Staudt    | Oct. 1973 | Apr. 1975 |
| Vacant              | June 1973 | Oct. 1973 |
| Kenneth F. Belieu   | Aug. 1971 | June 1973 |

ASSISTANT SECRETARY OF THE ARMY  
(INSTALLATIONS AND LOGISTICS):

|                             |           |           |
|-----------------------------|-----------|-----------|
| Harold L. Brownman          | Oct. 1974 | Present   |
| Edwin Greiner               | Aug. 1974 | Oct. 1974 |
| Edwin Greiner (acting)      | May 1974  | Aug. 1974 |
| Vincent P. Huggard (acting) | Apr. 1973 | May 1974  |
| Dudley C. Mecum             | Oct. 1971 | Apr. 1973 |

ASSISTANT SECRETARY OF THE ARMY  
(FINANCIAL MANAGEMENT):

|                                   |            |            |
|-----------------------------------|------------|------------|
| Hadlai A. Hull                    | Mar. 1973  | Present    |
| Richard L. Saint Sing<br>(acting) | Sept. 1972 | Mar. 1973  |
| Eugene M. Becker                  | July 1971  | Sept. 1972 |

## COMPTROLLER OF THE ARMY:

|                              |           |           |
|------------------------------|-----------|-----------|
| Lt. Gen. John A. Kjellstrom  | July 1974 | Present   |
| Lt. Gen. E.M. Flanagan, Jr.  | Jan. 1973 | July 1974 |
| Lt. Gen. John H. Wright, Jr. | Aug. 1970 | Jan. 1973 |

COMMANDING GENERAL, ARMY MATERIEL  
COMMAND:

|                         |           |           |
|-------------------------|-----------|-----------|
| General J.R. Deane, Jr. | Feb. 1975 | Present   |
| General H.A. Miley, Jr. | Nov. 1970 | Feb. 1975 |

DEPARTMENT OF THE NAVY

## SECRETARY OF THE NAVY:

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| J. William Middendorf             | June 1974 | Present   |
| J. William Middendorf<br>(acting) | Apr. 1974 | June 1974 |
| John W. Warner (acting)           | May 1972  | Apr. 1974 |

## APPENDIX VII

## APPENDIX VII

Tenure of office  
From                      To

DEPARTMENT OF THE NAVY (continued)

## UNDER SECRETARY OF THE NAVY:

|                       |           |           |
|-----------------------|-----------|-----------|
| David S. Potter       | Aug. 1974 | Present   |
| Vacant                | June 1974 | Aug. 1974 |
| J. William Middendorf | June 1973 | June 1974 |
| Frank Sanders         | May 1972  | June 1973 |

ASSISTANT SECRETARY OF THE NAVY  
(FINANCIAL MANAGEMENT):

|                  |           |           |
|------------------|-----------|-----------|
| Gary D. Tenisten | Oct. 1974 | Present   |
| Vacant           | May 1974  | Oct. 1974 |
| Robert D. Nesen  | May 1972  | May 1974  |

DEPARTMENT OF THE AIR FORCE

## SECRETARY OF THE AIR FORCE:

|                              |           |           |
|------------------------------|-----------|-----------|
| James W. Plummer (acting)    | Nov. 1975 | Present   |
| Dr. John L. McLucas          | July 1973 | Nov. 1975 |
| Dr. John L. McLucas (acting) | June 1973 | July 1973 |
| Dr. Robert C. Seamans, Jr.   | Jan. 1969 | May 1973  |

ASSISTANT SECRETARY OF THE AIR  
FORCE (INSTALLATIONS AND LO-  
GISTICS):

|                            |           |           |
|----------------------------|-----------|-----------|
| Frank A Shrontz            | Oct. 1973 | Present   |
| Richard J. Keegan (acting) | Aug. 1973 | Oct. 1973 |
| Lewis E. Turner            | Jan. 1973 | Aug. 1973 |
| Philip N. Whittaker        | May 1969  | Jan. 1973 |

ASSISTANT SECRETARY OF THE AIR  
FORCE (FINANCIAL MANAGEMENT):

|                     |           |           |
|---------------------|-----------|-----------|
| William W. Woodruff | Apr. 1973 | Present   |
| Spencer J. Schedler | Jan. 1969 | Apr. 1973 |

## COMPTROLLER OF THE AIR FORCE:

|                                |            |            |
|--------------------------------|------------|------------|
| Lt. Gen. Charles G. Buckingham | Sept. 1975 | Present    |
| Lt. Gen. J. R. DeLuca          | Oct. 1973  | Sept. 1975 |
| Lt. Gen. D.L. Crow             | Apr. 1969  | Oct. 1973  |