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## *Inside the Pentagon*

### **PENTAGON PLANS ONE-YEAR HIATUS FROM REQUIRED ACQUISITION REPORTS**

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The Pentagon plans a one-year hiatus from providing Congress with statutorily required information about the total acquisition cost of major weapon system programs, a step that would provide a temporary reprieve from reporting Nunn-McCurdy breaches and deny lawmakers and budget analysts data essential to monitoring the military's \$1.6 trillion modernization portfolio.

This would mark only the second time since 1969 that the Defense Department has refrained from providing Congress a complete selected acquisition report, an assessment that is required to be prepared in conjunction with the president's budget request.

Instead of an annual report summarizing the acquisition program costs, schedules and performance changes for approximately 100 big-ticket programs, Ashton Carter -- the Pentagon's acquisition executive -- on July 6 sent lawmakers an explanation for cost growth in a single program only, the Marine Corps' H-1 helicopter upgrade.

Nancy Spruill, director of acquisition resources and analysis in the Pentagon's procurement shop, said through a spokeswoman that she plans to meet with the House Armed Services Committee next week to explain why the Pentagon is not preparing a complete SAR this year. She declined requests for an interview to discuss the matter until she first speaks with Congress.

The decision to forgo preparing detailed SARs comes in the wake of Defense Secretary Robert Gates' revision of the FY-10 Pentagon budget, which made significant adjustments to more than 50 modernization programs, more than half of which are tracked through the SAR system.

The FY-10 budget request forwarded to Congress in May, however, did not include program-specific funding projections for the following four years, which typically accompany the annual spending request.

Pentagon officials justified this omission in May by arguing that the compressed fiscal year 2010 budget review this spring did not permit time to prepare detailed funding projections for FY-11 to FY-15, arguing that those funding plans were going to be dramatically revised this summer as part of the Quadrennial Defense Review. The George W. Bush administration, in its first year in office, also did not submit an annual SAR along with its fiscal year 2000 Pentagon spending request.

Congressional officials say the Pentagon is ignoring the law and unnecessarily disrupting the flow of information that is crucial to weapons-acquisition policy-makers.

"Basically, you're just saying, 'We can just cancel all the rules because we didn't have enough time,'" said one congressional source. "No, it doesn't work that way."

SARs summarize key elements of major acquisition programs and provide cost estimates that include research and development, military construction, and acquisition-related operations and maintenance. The reports include not only actual costs to date, but also future anticipated costs.

The SARs are the tools used to monitor so-called Nunn-McCurdy thresholds established in 1983 to flag cost growth in major weapons programs.

The Nunn-McCurdy provision requires that Congress be notified if a program faces cost growth greater than 15 percent over the current baseline estimate. It also dictates that the project be terminated if the price climbs higher than 25 percent unless the defense secretary certifies that the program is essential to national

security, that no lesser-cost alternative is available, and that cost controls are in place.

Concerned that the Pentagon was tweaking weapon system cost baselines to avoid reporting Nunn-McCurdy breaches, Congress modified the reporting requirements in the FY-06 Defense Authorization Act. The provision now requires the Pentagon to also report cost growth greater than 30 percent above the original baseline estimate, and mandates a program be terminated if the cost growth exceeds 50 percent unless the defense secretary certifies it is essential to national security.

The SARs are used by the Government Accountability Office and the Congressional Budget Office to track the Pentagon's modernization programs.

President Obama this spring repeatedly cited a GAO report that identified nearly \$300 billion in cost growth in the Pentagon's weapon system programs, an analysis that relied on the SARs.

By law, the SARs are to be prepared along with the Pentagon's annual budget request. While dated December, the annual SAR is usually sent to Congress in early April, 60 days after the president submits a budget request to Congress.

Because of the administration change this year, Pentagon lawyers determined that the SARs could be delivered 60 days after the Defense Department submitted its detailed FY-10 budget request to Congress on May 7.

By July 6, the SARs due date, Pentagon officials elected not to send the complete SAR. Without a bona fide future years defense plan, preparation of an authoritative SARs is not possible, sources familiar with Pentagon thinking said.

The options Pentagon officials face, according to defense budget experts, include matching the official FY-10 budget request with FY-11 to FY-15 figures prepared during the last months of the Bush administration that do not reflect the position of the Obama administration or to prepare a SAR based only on FY-10 figures but not the following years, which would trigger artificial unit cost increases.

On the Marine Corps' H-1 helicopter program, however, Carter had a strong incentive to send the July 6 SAR explaining the effort's unit cost growth. Without the explanation, funding for the program by law would have to cease.

"They're getting wrapped around the axle," said one congressional source, who understands the Obama administration is arguing that it has not had time to prepare a high-fidelity FY-11 to FY-15 spending plan. "Nonetheless, those numbers are there and they [would] provide some insight to the Congress. One might imagine that there is likely to be change to those numbers, but they're not all going to change. Probably the vast majority of them aren't going to change. So, for the sake of a small piece of intellectual honesty, they're screwing the whole system up."

The House Armed Services Committee this spring already warned that if additional SARs are not forthcoming soon, key modernization programs would be similarly penalized. The House defense authorization bill for FY-10 includes a provision that would freeze 50 percent of research and development funding for key Army programs that do not provide detailed SARs, including Future Combat Systems; the Stryker vehicle program; the Joint Air-to-Ground Missile program; the Bradley Base Sustainment program; the Abrams tank improvement program; the Javelin missile program; and the Warfighter Information Network -- Tactical program. -- Jason Sherman

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