



COMPTROLLER

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

12 MAR 1976

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MEMORANDUM FOR SECRETARY OF DEFENSE

SUBJECT: Program Execution - INFORMATION MEMORANDUM

Admiral Holcomb expressed your concern over whether approved defense programs are being promptly executed. This is a subject I repeatedly emphasize in my meetings with the Department's financial managers; and I have attached a copy of my December 23, 1975 memorandum on the subject.

I have recently reviewed our performance to date as reflected in financial reports. While outlays and employment levels reflect performance about as planned overall, the level of obligations through January are a cause for concern. I recommeyduoexnress that at a Policy Council meeting in the near future. Attached is a talking paper, should you decide to do so, which could also be used by Mr. Clements, Dr. Currie or other ASDs. Based on reports through December 31, 1975 we will have to obligate \$80.9 billion in the next six months to meet our plan, 28% or \$17.6 billion more than in the same period a year ago. While some of this is inflation and higher payroll costs the contracting workload appears formidable. \$14.6 billion of this increase is in RDT&E, Procurement, Military Assistance and Construction.

Some of the obligation lag to date can be related to the late enactment of the appropriations. We operated a calendar quarter longer under the continuing resolution this year than last, with respect to our major appropriations. We do not have a Military Assistance Appropriation. We also know that the headquarters and field personnel who carry out the contracts program are fewer than last year; that contracting requirements are more complex; and that program adjustments due to inflation and congressional restraints are also delaying factors. However, this only emphasizes the importance of increasing our efforts.

Apart from the need to beat inflation by awarding necessary contracts as early as possible, success in gaining acceptance of N 1977 defense programs will increase the pressure on congressional staffs to scrutinize our balances as a source of offsetting financing adjustments or to cite our performance as an excuse to reduce programs- Moreover, any outlays delayed into FY1977 will aggravate the budget resolution debates.

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Any communications on this subject must be carefully worded to avoid the impression that we are merely accelerating expenditures for their own sake, for which we have been criticized in the past.

*Terence E. McClary*  
!CerenceE.McClary  
Assistant Secretary of Defense

Enclosures



Obligation Plan for FY 1976

- First six months' obligations are only 39% of plan compared to last year's 43%.
  - Due in part to appropriation delay
  - Due in part to **manpower limitations**
  - Due in part to inflation-driven program changes
    - But aggravating last half problem (**\$81 billion** to obligate vs \$63 billion last year)
- Failure to make or beat plan.
  - Tempts Congress to tap balances to offset N 1977 program (plan already shows \$5.3 billion growth in unobligated balances)
  - Casts doubt on urgency of requirements
  - Sacrifices more **program to** inflation
    - Threatens to slip **expenditures into** FY 1977
- Expenditures delayed into N 1977 must **be fitted** within Budget 'Resolution.
  - Might displace N 1977 program
- Because of problems high-level **attention is** in order.
  - Procurement appropriation obligations should double first half level
- Detail attached by major area and Department.



Obligations  
As of **Dec. 31, 1975**  
(\$ in Billions)

	N 1975 Actual		N 1976 Plan	
	<u>Dollars</u>	<u>Per Cent</u>	<u>Dollars</u>	<u>Per Cent</u>
<u>Total DoD</u>				
Obligations	127.7	<b>100</b>	145.7	100
First Half	64.4	50	64.8	44
Second Half	63.3	50	80.9	56
 <u>Army</u>				
Obligations	32.1	100	38.4	100
First Half	14.9	47	15.8	41
Second Half	17.2	53	22.6	59
 <u>Navy</u>				
Obligations	39.9	100	45.8	100
First Half	20.6	52	21.2	46
Second Half	19.3	48	24.6	54
 <u>Air Force</u>				
Obligations	35.2	100	39.0	100
First Half	18.5	53	18.7	48
Second Half	16.7	47	20.3	52



Obligations  
As of Dec. 31, 1975  
(\$ in Billions)

	FY 1975 Actual		N 1976 Plan	
	<u>Dollars</u>	<u>Per Cent</u>	<u>Dollars</u>	<u>Per Cent</u>
<u>Procurement</u>				
Obligations	20.7	100	30.7	100
First Half	10.3	50	10.0	32
Second Half	10.4	50	20.7	68
<u>RDT&amp;E</u>				
Obligations	9.3	100	10.2	100
First Half	6.1	66	6.1	60
Second Half	3.2	34	4.1	40
<u>Military Construction</u>				
Obligations	2.9	100	4.2	100
<b>First</b> Half	<b>.9</b>	32	<b>.8</b>	19
Second Half	2.0	68	3.4	81
<u>MAP Federal</u>				
Obligations	1.4	100	1.2	100
First Half	<b>.8</b>	57	*	
Second Half	<b>.6</b>	43	1.2	100
<u>MAP Trust</u>				
Obligations	2.8	100	2.8	100
<b>First</b> Half	1.5	55	<b>.3</b>	11
Second Half	1.3	45	2.5	89

\* Offsetting receipts of \$104 million reduced gross obligations of \$83 million to a net \$-21 million.





ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

23 DEC 1975

COMPTROLLER

MEMORANDUM FOR Assistant Secretaries of the Military **Departments** (FM)  
Directors of the Defense **Agencies**

SUBJECT :N 1976 Program Execution

With the passage of the FY 1976 DoD Appropriation Act delayed until early in the next session of Congress, we should take all possible steps **to insure** prompt execution of approved programs. This is important not only to **minimize the** further impact of inflation by getting programs under contract as soon as possible, but also to achieve as early as possible the readiness improvements contemplated in the approved programs. Whatever is not obligated in N 1976 **will** buy less later, will bring programs and our management **of** them under criticism, will jeopardize the credibility of future requests and will compound our problems in **FY** 1977 if outlay constraints are imposed.

Every effort should be made to meet the present schedule for contract awards, or to advance them where possible; to identify as early as possible, and remove, any obstacles to the **timely** and orderly execution of the program; and to process promptly any reprogrammings necessary to **support** revised plans. I have asked my staff to keep me informed **of any** problems which come to their attention; and I urge you to give my staff advance notification of reprogrammings and fund release requirements so that we can assist you in this effort.

*Terence E. McClary*

Terence E. McClary  
Assistant Secretary of Defense

