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**United States General Accounting Office**  
**Washington, DC 20548**

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December 5, 2000

The Honorable Bob Smith  
United States Senate

Subject: Defense Acquisitions: Status of the KE-ASAT Program

Dear Senator Smith:

In April of this year, you asked us to conduct a review of the kinetic energy anti-satellite (KE-ASAT) program. This program began in 1989 as an effort to leverage off technologies previously developed in support of the Strategic Defense Initiative and other space and missile defense research programs. It currently involves the development of a ground-launched, high-speed kill vehicle that can destroy or disable low-earth orbiting satellites that track U.S. and allied forces.

As agreed with your staff, we focused on (1) assessing the status of the KE-ASAT program, including any efforts by the Army to redirect the program, and (2) determining whether any KE-ASAT funds from fiscal years 1996-2000 were allocated inappropriately to support efforts not directly related to the program. To assess the status of the program, we reviewed relevant program documents and interviewed key officials. In examining the allocation of program funds, we reviewed funding authorization documents and assessed contract and program data for each reported funding obligation, looking for evidence that the funding supported the KE-ASAT program. We recently completed our review in accordance with generally accepted government auditing standards and briefed your staff on the preliminary findings and results in October. We also provided a similar briefing to the Commander of the Army's Space and Missile Defense Command. Following the briefing, we conducted additional audit work to examine additional materials provided by your staff. The additional audit work confirms that our initial findings are as accurate and reliable as possible given the data available to us at that time.

With respect to the status of the KE-ASAT program, we found that it is currently in a state of disarray. The program manager and key staff were reassigned, and the program itself was transferred to a new directorate within the Army Space and Missile Defense Command last year. Although a new program manager was assigned, there has been no funding available to pay for staff salaries and technical support. The \$7.5 million in funding that was provided for the program in fiscal year 2000 has not been released because no agreement was reached on a spending plan for the program. As a result, the remaining work on the program has received limited management and oversight. We also found that documents and records critical to the

program were incomplete and disorganized, making it difficult to determine what work had been completed on the program.

Furthermore, we found that the Army initiated planning efforts last year to restructure the KE-ASAT program and align it with DOD's goals and priorities to develop temporary and reversible space control capabilities such as electronic jamming of satellite data or disrupting satellite ground control facilities. Although these efforts were not finalized, they nonetheless created confusion with key KE-ASAT contractors and may have delayed some work on the program. Subsequently, the Assistant Secretary of Defense for Command, Control, Communications and Intelligence recommended that the Army complete the existing contracts on the KE-ASAT program, place the kill vehicles in storage, and pursue no further development of the program. However, if the program were to continue, considerable work is still needed to make the KE-ASAT kill vehicles and subsystems ready for flight-testing.

We also determined that the vast majority of KE-ASAT funding has been allocated for purposes related to the development of the KE-ASAT weapon system. However, close to \$1.5 million of the \$37.5 million that was provided specifically for KE-ASAT for fiscal year 1998 was used to support activities that had no direct benefit to the program. Instead, the \$1.5 million was used for a variety of activities, including salaries and travel for staff in other programs, space control plans and requirements, and development of a ballistic missile command and control system. According to Space and Missile Defense Command officials, the Command sometimes shifted funds between programs to make up for budget shortfalls and imposed "taxes" on programs such as KE-ASAT to pay for technical support contracts and special studies that supported the entire Command. We have formally communicated this finding to the Department of the Army. In a letter dated November 17, 2000, the Army advised us that the funding source for all the transactions that did not support the KE-ASAT program has been reversed and appropriate funds have been provided.

In addition, during the course of our review, we identified several questionable spending practices by KE-ASAT program staff, including the inappropriate use of a government-issued purchase card and failure to comply with government procedures in purchasing office furniture and computers. Regardless of whether DOD continues to pursue the program, such internal and financial control breakdowns should be further examined and corrected. The Commander of the Army's Space and Missile Defense Command stated that action would be taken to correct this situation.

Attached is an updated copy of our briefing for your information. We are also available to meet with you and discuss our findings in greater detail or respond to any questions you may have.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'JLB', with a long, sweeping horizontal stroke extending to the right.

Jack L. Brock, Jr.  
Managing Director  
Acquisition and Sourcing Management

Enclosure

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# **KE-ASAT Program Review**

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**Briefing on Findings and  
Results  
December 2000**

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## Objectives

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- Assess status of the KE-ASAT program, including Army efforts to redirect program
  - Determine whether KE-ASAT program funds supported efforts not directly related to the program
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# Scope and Methodology

- **Program Status**
  - assessed program objectives, plans, and execution
  - interviewed key DOD, Army, and contractor officials
- **Program Funding**
  - focused on fiscal year 1996-2000 funding
  - performed review of relevant appropriation/authorization laws, congressional committee reports, and DOD funding authorization documents
  - assessed all reported KE-ASAT program allocations (107 procurement request orders)
  - reviewed contract and program data for evidence that funds supported KE-ASAT program

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# Study Limitations

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- **Reviewed funding allocations/obligations, but did not audit actual expenditures of funds -- did not verify how funds were used by recipients**
  - **Assessment of program status was hindered by poor record keeping and lack of program documentation**
  - **Did not determine whether other SMDC programs may have provided funding support to KE-ASAT**
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# Summary Results

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- **Status of KE-ASAT program is currently in a state of disarray and future remains uncertain**
  - **Vast majority of funding allocations have been used for purposes related to KE-ASAT, however, small amount of funds had no direct benefit to KE-ASAT**
  - **Internal controls over some KE-ASAT spending have been weak**
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# Program Status

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- **Since early 1990s, KE-ASAT program has lacked consistent and predictable funding, appropriate management support and direction, and clearly defined objectives and milestones**
  - **Events in past year have contributed to further disarray with KE-ASAT program**
    - **KE-ASAT received no funding in FY99 and \$7.5 million intended for KE-ASAT in FY00 has not been released**
    - **Initial design reviews for contract to develop KE-ASAT kill vehicles not conducted**
    - **Program manager and key staff reassigned**
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# Program Status

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- **New program manager assigned but lack of funding available to manage remaining work and cover staff salaries, travel, technical support, and other expenses**
  - **Program files and records incomplete, disorganized, and not being used since the program transfer**
  - **Army developed options for restructuring KE-ASAT program in January 2000 to align it with DOD goals and priorities which advocate development of temporary and reversible space control capabilities**
  - **No decision made to restructure program but discussion of options created confusion with key KE-ASAT contractors and may have delayed certain work**
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# Program Status

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- Later in year DOD recommended that the Army complete existing program contracts, place delivery of flight qualified vehicles in storage, and pursue no further development of KE-ASAT system
  - **KE-ASAT Future on Hold**
    - FY00 funds still not released, due to lack of agreement between Army and Congress on program spend plan
    - Considerable funding/work needed to make vehicles flight ready (integrate kill device, command & control, etc.) and conduct flight test(s)
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# Program Funding

- KE-ASAT funding has been intermittent and dependent on Congressional plus-ups
- Summary of KE-ASAT Funding (in millions of dollars)

FY	Requested by DOD	Appropriated by Congress to DOD	Received by SMDC	Reported KE-ASAT Program Obligation	Reported KE-ASAT Program Expenditures
96	\$0	\$30.0	\$28.5	\$28.4	\$27.4
97	0	50.0	48.7	48.4	47.9
98	0	37.5	37.5	37.5	23.6
99	0	0	0	0	0
00	0	7.5	0	0	0
Total	0	125.0	114.7	114.3	98.9

Source: SMDC

# Program Funding: Legal Constraints on Use of Funds

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- **FY98 funds were specifically designated for the KE-ASAT program by the following provision of law:**

**“Of the funds authorized to be appropriated under section 201(4), \$37,500,000 shall be available for the kinetic energy tactical anti-satellite technology program”  
(National Defense Authorization Act for Fiscal Year 1998, Pub. L. No. 105-85, 111 Stat. 1629, 1659 (1997))**

**Therefore, these funds were available only for KE-ASAT**

- **Funds appropriated in FY96 and FY97 are not designated specifically for KE- ASAT; rather, the authorization acts indicate that funds “shall be available for a tactical anti-satellite technologies program.”**
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# Program Funding: Legal Constraints on Use of Funds

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- **Expressions of congressional committee intent contained in reports but not incorporated into the law are not legally binding on an agency. However, we have said that agencies:**
  - **“ignore such expressions of intent at peril of strained relations with the Congress. The Executive Branch ... has a practical duty to abide by such expressions”. (55 Comp. Gen. 308 at 325)**

## **Program Funding: Potential Misuse of Funds**

- **About \$1.5 million of the \$37.5 million specifically designated for KE-ASAT in FY98 was used for purposes that had no direct relation to KE-ASAT**
- **Given that the FY98 funds were designated for KE-ASAT, the \$1.5 million used for these other purposes may violate 31 U.S.C. § 1301(a), which requires that appropriated funds be used solely for the purposes for which they were appropriated**
- **GAO formally advised Army of our findings; Army subsequently informed us that they have reversed funding sources for the items in question and charged them to appropriate funds**

# Program Funding: FY98 Funds That Did Not Support KE-ASAT

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- **Funding items**
    - **\$615,000 to pay staff salaries in other programs**
    - **\$600,000 for combat development plans and requirements**
    - **\$110,000 for ballistic missile development command and control**
    - **\$60,000 for program integration and technology base planning (SMDC's Technology Analysis Integration Directorate)**
    - **\$37,300 for travel costs related to Solid State Laser Program**
    - **\$30,000 for study related to Tactical High-Energy Laser Program**
    - **\$15,000 for Technical support to AIT program**
    - **\$7,500 for computer purchases and travel costs by other SMDC programs**
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# **Program Funding: Internal Controls over FY96-FY98 Spending**

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- **Identified examples of questionable spending practices and weak internal controls over KE-ASAT program funding**
    - **large number of personal computers purchased given number of staff assigned to program**
    - **purchase of furniture and other equipment inconsistent with government guidelines**
    - **failure to conduct timely recording of equipment purchases in SMDC property records**
    - **swapping of funds between programs**
    - **inappropriate use of credit card to purchase computer equipment for contractor**
    - **circumvention of credit card spending limit**
    - **no evidence of competitive bids for credit card purchases costing more than \$2500**
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# **Program Funding: SMDC Resource Management Environment**

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- **Context for why certain funding decisions made by SMDC Officials**
  - **No O&M funds provided to SMDC to cover administrative expenses and overhead**
  - **Lack of consistent and predictable funding year-to-year for programs such as KE-ASAT**
  - **Swapping of funds occurred between program accounts to make up for budget shortfalls**
  - **Formal and informal taxing of programs occurred to support SMDC and Tech Center support activities**

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# Issues to Consider Regarding Future of KE-ASAT

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- **If KE-ASAT is to continue, then DOD and Congress need to agree on and establish clear program objectives, achieve a commitment to provide adequate funding, and ensure effective oversight and management**
- **Broader review of SMDC programs may be needed to determine if effective internal/financial management controls are in place**