TOP SECRET
Approved For Release 2006/02/07 : CIA-RDP89B00980R000600050011-2
OXCART

[redacted] 25X1

Copy 5 of 12

4 JAN 1967

MEMORANDUM FOR: Acting Deputy Director for Science and Technology

SUBJECT: Use of Unobligated Prior Year Funds

1. This memorandum contains a recommendation for the approval of the Deputy Director for Science and Technology. Such recommendation is contained in paragraph 4.

2. During each fiscal year there is a recoupment of funds from outstanding contracts as they are terminated. There are also some instances where additional funds are required to satisfy contracts whose termination costs have proven to be greater than the amounts obligated. Examples of these would be: overruns, change of scope, additional tasks levied, or increased overhead or G&A as determined by government authorities.

3. Prior to 19 April 1966, OSA had been able to cover additional requirements by reprogramming funds recouped from other contracts. On 18 May 1966 the Deputy Director for Science and Technology directed that in the future his approval be obtained prior to obligation of these funds.

4. It is requested that the Acting Deputy Director for Science and Technology approve the reprogramming of prior year funds in accordance with the following schedule to meet immediate obligatory requirements:

a. Item 1: [redacted] 25X1

A test monitor unit for use with the Rega Jane recorders was required. This was outside the scope of the original contract and costs [redacted] An instruction book for the Rega Jane recorder was also requested and delivered. This also was above the 25X1

25X1

OXCART

[redacted]

Approved For Release 2006/02/07 : CIA-RDP89B00980R000600050011-2
TOP SECRET

GROUP 1
Excluded from automatic downgrading and declassification

[redacted] 25X1



25X1

25X1 original contract, [redacted] It was later determined that power converters for 400 CPS were required, [redacted] Unexpected problems and dissimilarities of variations in purchased manufactured equipment dictated additional out of scope modifications. This amounted to [redacted] 25X1

b. Item 2: [redacted] 25X1

This overrun is due to extra travel encountered for the installation and checkout of System 13C.

c. Item 3: [redacted] 25X1

This represents an 8% overrun on the original 13C contract. The overrun is due principally to technical problems with antennas and microwave components. The design, development, production, and test of the antennas was estimated at [redacted] and now is costing 25X1
25X1 [redacted] a difference of [redacted] The original estimate for microwave components was [redacted] and the 25X1
present cost has risen to [redacted] a difference of 25X1
25X1 [redacted] Technical problems in the design of System 13C, particularly noise in the input and output stages, required additional components and repackaging. The complexity of this System, coupled with the small number of units being produced, does not permit production techniques to be employed in the assembly and testing of the System. In areas other than antennas and microwave components, the contractor has been able to underrun his costs by [redacted] This leaves an unfunded
25X1 balance of [redacted]
25X1

d. Item 4: Lockheed - [redacted] 25X1

This contract covers the modification of A-12's and originally had a proposed target price of [redacted] 25X1
and a ceiling price of [redacted] On the first nine 25X1
airplanes the estimate for over [redacted] worth of 25X1
work was only missed by [redacted] Based on this forecast, 25X1
a contractor voluntary reduction in contract ceiling
25X1 price of [redacted] was allowed, to stay within the then available funding for aircraft Serial Number 122. At
25X1 present, the projected costs are [redacted] which 25X1
exceeds the proposed target by about [redacted] There 25X1



[redacted]



GROUP 1
Excluded from automatic downgrading and declassification

have been many changes in the scope of work on SN-122 which was one of our test aircraft. Further, it includes a harness from the cockpit to the chines, the installation of the updated SR-71 electrical air conditioning and hydraulic equipment, plus the inherent difficulty in tank sealing that has plagued the project recently.

Lockheed has reduced their billing for profit on this contract to 2% rather than the 8.2% allowed, and, further, due to the overrun, is forecasting only 25X1 [redacted] profit on this [redacted] contract. 25X1

25X1 There has been [redacted] in scope change to which we are directly attributable. There has been [redacted] 25X1 of additional changes that are only partial in scope, of which Lockheed will accept 2/3 of these costs. This allows an additional [redacted] in changes chargeable to 25X1 CIA. The forecast total contract price will be [redacted] 25X1 25X1 of which [redacted] has been obligated. This leaves a 25X1 deficit of [redacted] which must be obligated in the immediate future.

e. Item 5: [redacted] 25X1

This amount stems from the final audit of the contract.

f. Item 6: [redacted] 25X1

This amount is needed to satisfy this contract for adjusted overhead rates as dictated by a government audit.

g. Item 7: [redacted] 25X1

This is the amount that is necessary to satisfy the adjusted overhead rates as ascertained by a government audit.

h. Item 8: Lockheed - [redacted] 25X1

This is the final amount as determined by the contractor as actual cost for this contract plus profit for last year. There may be slight future changes as determined by audit.

25X1



GROUP 1
Excluded from automatic downgrading and declassification

25X1

Approved For Release 2006/02/07 : CIA-RDP89B00980R000600050011-2

Approved For Release 2006/02/07 : CIA-RDP89B00980R000600050011-2