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Jul 2 1968

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MEMORANDUM FOR THE COMPTROLLER, DIRECTORATE OF SCIENCE AND TECHNOLOGY, CIA

SUBJECT: F.Y. 1968 Initial Program Approvals, Director D

To complete the coverage of DMRD initial FY 1968 program approvals which will involve funding thru the Agency, the following information for the Director D accounts is furnished:

(Thousand Dollars)

TAGBOARD:

Follow-on Drone Procurement:

Drones	\$29,643
Cameras	620
Software	<u>255</u>
Sub-total	30,518

Prior Drone Support:

Drones	5,500
Cameras	550
Software	15
Film	<u>135</u>
Sub-total	6,200

Tagboard Total

36,718

DRAGON LADY:

New Equipment	\$ 868
Depot-Generated Support	2,323.4
SFO-Generated Support	1,809
Field Service Support	420
U-2R Support	<u>0</u>
Dragon Lady Total	5,420.4

348 Engine Component Improvement and YF-124 (RedLock):

No funding thru the Agency is planned for FY 1968.

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SE-71 Aircraft (Earning):

In accordance with the agreements, funding for Lockheed and Pratt and Whitney thru the Agency will apply for the first half of FY 1968, and for Eastman Kodak film and chemicals for the entire fiscal year. There may be other instances of funding thru the Agency, to be resolved on a case-by-case basis.

With respect to Lockheed and Pratt and Whitney, the procedures will be as follows:

1. The Agency, under instructions from Director D, will contract and fund for efforts within the DNRD program approvals for the full fiscal year 1968. Where possible, contracting should be limited to the efforts thru 31 December 1967, to enable the 1 January 1968 contract and funding phase-over to the Air Force to be more orderly.

2. Initial funding of the FY 1968 efforts (including EKC) will be from unobligated FY 1967 and prior year funds already available to the Agency. For instance, \$28,392K was withdrawn from FY 1967 program approval on 19 June 1967 (reference EYE 52394-67), but the funds were left with the Agency.

3. The monthly fund status reports from the Agency, Director D and Lockheed will be carefully analyzed by the NRO Comptroller, and ICSC releases will be governed by such examinations. While the Agency will obligate funds in much the normal manner (keeping in mind the 1 January phase-over), additional ICSC fund releases will be governed by expenditures, in connection with the next step in the process.

4. The Agency will pay contractor expenditure vouchers thru 31 December 1967, and the NRO Comptroller will honor ICSC forms to this extent, based on final reconciliations. Air Force Systems Command will pay contractor expenditure vouchers submitted starting 1 January 1968. Before end-December, AFSC will be given a budget authorization to enable starting these payments, within unobligated balances as of 30 November 1967. This will be augmented later by budget authorizations to cover unliquidated obligations by the Agency as of 31 December. At that point, program approvals thru the Agency will be adjusted to the actual expenditures made by the Agency, and the AFSC program approvals will be adjusted to the balance of the approved program for FY 1968. Any subsequent cost over-runs for effort prior to 31 December 1967 will be handled by AFSC. If fund recoverments later accrue to the Agency, they will be withdrawn, and subsequently issued to AFSC as appropriate. AFSC will be expected to establish new SE-71 contracts as of 1 January 1968 which will pick up unliquidated obligations as of 31 Dec 67 as well as efforts for 1 Jan 68 thru 30 June 68 within the DNRD approved program, altho contract finalization will be later than 1 Jan because of the time involved in expenditure

reporting and reconciliations.

In recognition of the preceding procedures, the following Lockheed and Pratt and Whitney approvals for the entire FY 1968 have been granted:

Lockheed:

Base Operating Support	\$1,100
Sustaining Engineering	5,000
Follow-on Spares and AGE	12,750
Flight Testing	3,000
Modification Kits	2,250
Maintenance Crew Assistance	300
Overhaul and Repair	7,430
Field Service Representatives	1,900
Customer Service	1,100
Major Update/IRAN	<u>5,850</u>
Total	45,680

Pratt and Whitney:

Spares and AGE	17,320
Engine Overhaul Labor	14,250
Modification Kits	1,400
Consumables	960
Field Service Representatives	<u>550</u>
Total	34,530

With respect to the EIC film and chemicals, the FY 1968 approval for the SR-71 is \$1,667K. The SR-71 requirements should be handled thru the Agency's Photographic Materials and Processing contracts, citing SR-71 funds as appropriate. However, it will be required that a separate SR-71 accounting be established to enable determination of appropriate costs to the SR-71, and evaluation of possible later program adjustments. The Agency's monthly fund status report is to reflect under the SR-71 (Earning) account a separate line item for this EIC film and chemicals, identifying the DMRD approval of \$1,667K, and the cumulative obligations each month.

The preceding approvals and instructions apply to operating costs only. Any Agency participation in Research and Development or Advertisement contracting and funding, or special operating cases, will be determined on an individual case basis. For example, actions are being determined for System 13C support, to utilize funds available to the Agency. Upon finalization, appropriate program adjustments will be made.


Comptroller

cc: Col Saunders