

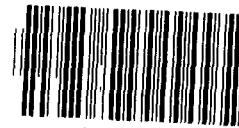
**GAO**

Briefing Report to the Chairman,  
Subcommittee on Oversight and  
Investigations, Committee on Energy and  
Commerce, House of Representatives

August 1986

# AIR FORCE LOGISTICS

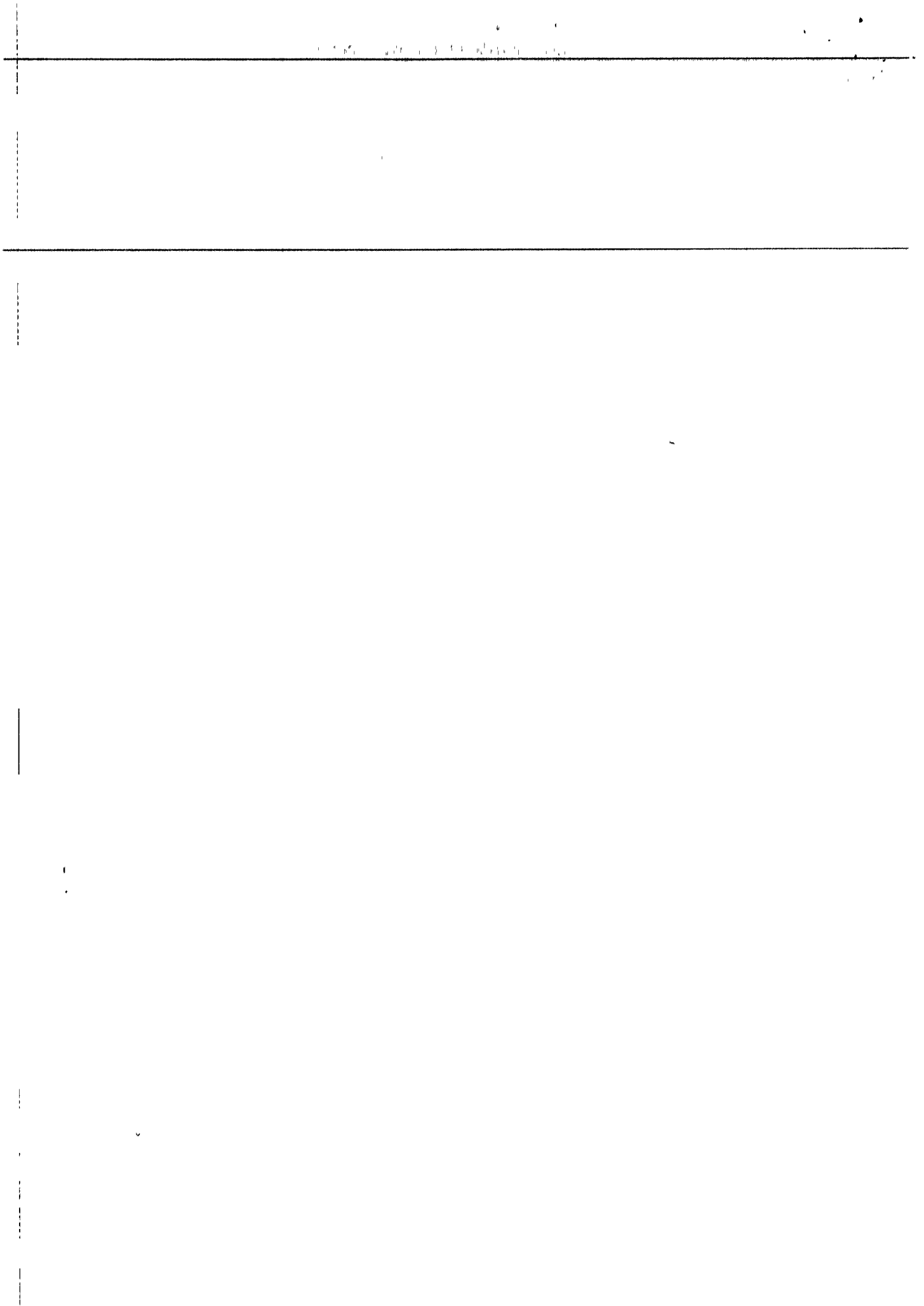
## Efforts to Increase Obligations Caused Questionable Practices



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National Security and  
International Affairs Division

B-223371

August 12, 1986

The Honorable John D. Dingell  
Chairman, Subcommittee on Oversight  
and Investigations  
Committee on Energy and Commerce  
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we review the Air Force Logistics Command's (AFLC's) accelerated obligations of program years 1984 and 1985 procurement funds at the end of December 1985, and its progress in obligating program year 1986 funds through March 31, 1986. This report includes information presented to your staff in briefings on April 3 and May 14, 1986.

ACCELERATED OBLIGATIONS OF 1984 AND 1985 FUNDS

In the first half of fiscal year 1986, the Office of the Secretary of Defense (OSD) incrementally released program year 1986 procurement funds for spares and modifications to pressure the Air Force to increase its obligations of prior years funds. As of December 19, 1985, AFLC had about \$4.7 billion in unobligated program years 1984 and 1985 procurement funds, primarily for procuring aircraft and missile parts. AFLC, wanting its quarterly reports to show improved obligation rates, directed its buying activities to obligate 1984 and 1985 procurement funds to the maximum extent possible by December 31, 1985. Between December 20 and 31, 1985, AFLC obligated about \$1.1 billion of these funds as compared to only about \$118 million during the first 19 days of the month. AFLC's major actions to accelerate obligations included (1) switching the designated program year from 1986 to 1984 or 1985 for funds being obligated and (2) obligating 100 percent rather than 50 percent of the estimated value of unpriced contracts through a special delegation of authority.

OSD's and AFLC's actions temporarily increased obligation rates of prior years funds but do not appear to have long-term effects. As of March 31, 1986, about \$3.2 billion of 1984 and 1985 procurement funds were still unobligated.

The efforts to increase obligations created administrative burdens and produced questionable procurement actions. Increased administrative burdens included preparing monthly requirements forecasts and processing additional accounting transactions. Questionable procurement actions included (1) obligating 100 percent of estimated value on unpriced

contracts and provisioning item orders, (2) obligating 1984 program year funds for 1987 requirements, (3) obligating prior years funds for initial spares contrary to Air Force policy, and (4) using provisioning item orders to purchase common items and government-furnished equipment, although such uses are prohibited by Air Force regulation.

Appendix I contains details on unobligated funds as of December 19, 1985; funds obligated in December 1985 as compared with December 1982, 1983, and 1984; and actions taken between December 20 and 31, 1985, to accelerate obligations.

#### EXECUTION OF 1986 PROCUREMENT PROGRAM

The use of prior years funds to procure 1986 requirements could have caused program year 1986 obligation rates to lag behind rates for previous years. However, AFLC's obligation rate for the first 6 months of program year 1986 was comparable to the same period of the previous 3 years. Two actions--reductions in AFLC's program year 1986 budget of about \$1.6 billion and AFLC's March 1985 increase in replenishment spares buy requirements--made it unlikely that use of prior years funds for 1986 requirements would impede AFLC's obligation of its 1986 funds.

Appendix II contains details on (1) the status of AFLC's procurement budgets for the first 6 months of each of the last 4 years, (2) reductions in program year 1986 budget authority, and (3) actions and changes which increased 1986 requirements.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

In addressing your request, we (1) compiled AFLC-wide budget execution data, (2) reviewed contracts awarded between December 20 and 31, 1985, at the Oklahoma City, Warner Robins, and Sacramento Air Logistics Centers, and the 2750th Air Base Wing, Wright-Patterson Air Force Base, and (3) met with OSD and Air Force officials at the Pentagon, AFLC headquarters, and the above four buying activities to discuss actions taken in late December 1985 to accelerate obligations of 1984 and 1985 funds, progress in obligating 1986 funds as of March 31, 1986, and changes in procurement requirements.

As requested, we did not obtain official agency comments on this report. However, we did discuss a draft of this report with OSD and Air Force officials and have incorporated their comments, where appropriate.

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As requested by your office, we plan no further distribution of this briefing report until 10 days from the date of issuance, unless you publicly announce its contents earlier. At that time, we will send copies to the Chairmen, Senate and House Committees on Armed Services and

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on Appropriations; the Secretaries of Defense and the Air Force; the Director, Office of Management and Budget; and other interested parties.

If you have any questions, please call me at 275-5518 or Harry R. Finley at 275-4268.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank C. Conahan". The signature is written in dark ink and is positioned above the typed name.

Frank C. Conahan  
Director

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ABBREVIATIONS

AFLC	Air Force Logistics Command
ALC	Air Logistics Center
GAO	General Accounting Office
OSD	Office of the Secretary of Defense
WRM	war reserve materiel
WRSK/BLSS	war readiness spares kits/base level self-sufficiency spares

ACCELERATED OBLIGATIONS OF 1984 AND 1985FUNDS BY AFLC IN DECEMBER 1985

On December 20, 1985, the AFLC issued a message to its buying activities directing them to obligate available program years 1984 and 1985 procurement funds for three appropriation accounts (aircraft procurement--account number 3010, missile procurement--account number 3020, and other procurement--account number 3080) to the maximum extent possible by December 31, 1985. AFLC officials said they issued the December 20, 1985, message because:

- The Command had experienced very poor program execution (i.e., a low rate of fund obligation) in October and November 1985 and wanted to improve it to the maximum extent possible so that the quarterly reports would show higher obligation rates.
- OSD had been pressuring the Air Force to increase its obligations of program years 1984 and 1985 funds by incrementally releasing 1986 spares and modification funds.
- The Congress was likely to use AFLC's poor obligation rates as a basis for cutting budget requests.

The Air Force had been under pressure from OSD to improve program execution of its prior years (1984 and 1985) procurement funds since the beginning of fiscal year 1986. OSD had been withholding AFLC's 1986 modifications and spares funds and incrementally releasing them on a monthly basis only after receiving detailed statements on requirements. This was done to pressure the Air Force to obligate more of its prior years funds before releasing 1986 funds. Before 1986, OSD normally released all funds at the beginning of the fiscal year.

UNOBLIGATED FUNDS AS OF DECEMBER 19, 1985

As of December 19, 1985, AFLC had not yet obligated about \$1.4 billion of its program year 1984 procurement funds and \$3.3 billion of its program year 1985 procurement funds. Because procurement funds are available for obligation for 3 years, program year 1984 funds could be obligated for bona fide needs<sup>1</sup> through fiscal year 1986 and program year 1985 funds through fiscal year 1987. Table I.1 shows the amounts of program years 1984 and 1985 funds authorized and unobligated as of December 19,

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<sup>1</sup>The "bona fide need" rule requires that an appropriation be obligated only to meet a legitimate need arising during the appropriation's availability.



1985, by appropriation accounts 3010, 3020, and 3080. Tables I.2 through I.4 show the amounts by budget program within each appropriation.

Table I.1: Program Years 1984 and 1985 Procurement Funds as of December 19, 1985

<u>Appropriation accounts</u>	<u>Budget authority</u>	<u>Amount unobligated</u>	<u>Percent unobligated</u>
----- (millions) -----			
Program year 1984:			
3010	\$ 8,271	\$1,132	14
3020	653	98	15
3080	<u>1,656</u>	<u>199</u>	12
Total	<u>\$10,580</u>	<u>\$1,429</u>	14
Program year 1985:			
3010	\$8,970	\$2,579	29
3020	732	188	26
3080	<u>2,027</u>	<u>549</u>	27
Total	<u>\$11,729</u>	<u>\$3,316</u>	28
Program years 1984 and 1985:			
3010	\$17,241	\$3,711	22
3020	1,385	286	21
3080	<u>3,683</u>	<u>748</u>	20
Total	<u>\$22,309</u>	<u>\$4,745</u>	21

Table I.2: Aircraft Procurement Funds (3010) as of December 19, 1985

<u>Budget programs</u>	<u>Budget authority</u>	<u>Amount unobligated</u>	<u>Percent unobligated</u>
	----- (millions) -----		
Program year 1984:			
Modifications (BP11)	\$2,635.8	\$ 467.3	18
Support equipment (BP12)	412.3	57.2	14
Industrial responsiveness (BP14)	2.0	1.4	70
Replenishment spares (BP15)	3,178.8	324.9	10
Initial spares (BP16)	1,241.6	109.3	9
War consumables (BP17)	105.4	38.4	36
Other than Air Force (BP18)	143.6	34.2	24
Other charges (BP19)	<u>551.5</u>	<u>98.9</u>	18
Total	<u>\$8,271.0</u>	<u>\$1,131.6</u>	14
Program year 1985:			
Modifications (BP11)	\$2,650.1	\$ 963.1	36
Support equipment (BP12)	335.5	89.3	27
Industrial responsiveness (BP14)	1.4	1.4	100
Replenishment spares (BP15)	3,908.0	414.3	11
Initial spares (BP16)	1,333.6	664.6	50
War consumables (BP17)	99.8	37.3	37
Other than Air Force (BP18)	204.9	114.4	56
Other charges (BP19)	<u>436.8</u>	<u>294.9</u>	68
Total	<u>\$8,970.1</u>	<u>\$2,579.3</u>	29

Table I.3: Missile Procurement Funds (3020) as of December 19, 1985

<u>Budget programs</u>	<u>Budget authority</u>	<u>Amount unobligated</u>	<u>Percent unobligated</u>
----- (millions) -----			
Program year 1984:			
Missile weapon system (BP20)	\$190.4	\$ 53.8	28
Modifications (BP21)	100.6	14.7	15
Replacement equipment (BP22)	69.2	.8	1
Replenishment spares (BP25)	120.5	12.5	10
Initial spares (BP26)	127.4	13.1	10
Other than Air Force (BP28)	42.2	3.2	8
Other charges (BP29)	<u>2.4</u>	<u>-</u>	-
Total	<u>\$652.7</u>	<u>\$ 98.1</u>	15
Program year 1985:			
Missile weapon system (BP20)	\$ 74.4	\$ 18.8	25
Modifications (BP21)	121.3	20.0	16
Replacement equipment (BP22)	98.9	18.5	19
Replenishment spares (BP25)	213.9	62.8	29
Initial spares (BP26)	189.8	60.0	32
Other than Air Force (BP28)	29.5	6.0	20
Other charges (BP29)	<u>4.3</u>	<u>1.6</u>	37
Total	<u>\$732.1</u>	<u>\$187.7</u>	26

Table I.4: Other Procurement Funds (3080) as of December 19, 1985

<u>Budget programs</u>	<u>Budget authority</u>	<u>Amount unobligated</u>	<u>Percent unobligated</u>
----- (millions) -----			
Program year 1984:			
Munitions (BP81)	\$ 482.7	\$ 22.7	5
Vehicles (BP82)	308.7	48.1	16
Electronic & telecom equipment (BP83)	535.1	81.4	15
Other base maintenance equipment (BP84)	304.5	39.6	13
Other than Air Force (BP87)	<u>24.8</u>	<u>6.9</u>	28
Total	<u>\$1,655.8</u>	<u>\$198.7</u>	12
Program year 1985:			
Munitions (BP81)	\$ 627.4	\$ 49.8	8
Vehicles (BP82)	332.3	115.8	35
Electronic & telecom equipment (BP83)	806.7	275.8	34
Other base maintenance equipment (BP84)	249.3	99.3	40
Other than Air Force (BP87)	<u>11.0</u>	<u>8.6</u>	78
Total	<u>\$2,026.7</u>	<u>\$549.3</u>	27

COMPARISON WITH PREVIOUS YEARS' OBLIGATIONS

The trend data in the following figures compares how AFLC's obligations of its program years 1984 and 1985 funds compared with previous program years. The figures show the percent of budget authority obligated at 12, 15, 24, and 27 months after the start of program years.

Figure I.1: Percent of Program Years 1980 through 1985 Aircraft Procurement Funds (3010) Obligated at Specific Time Intervals

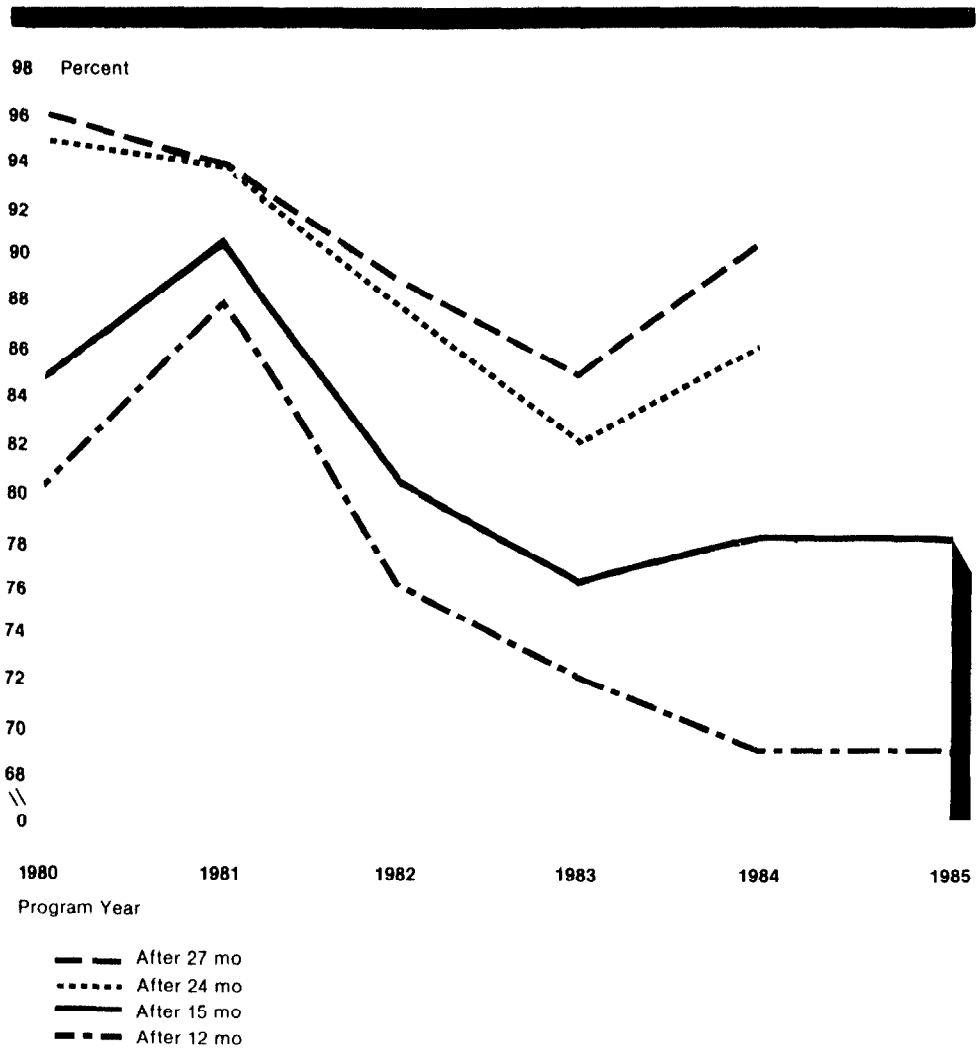


Figure I.2: Percent of Program Years 1980 through 1985 Missile Procurement Funds (3020) Obligated at Specific Time Intervals

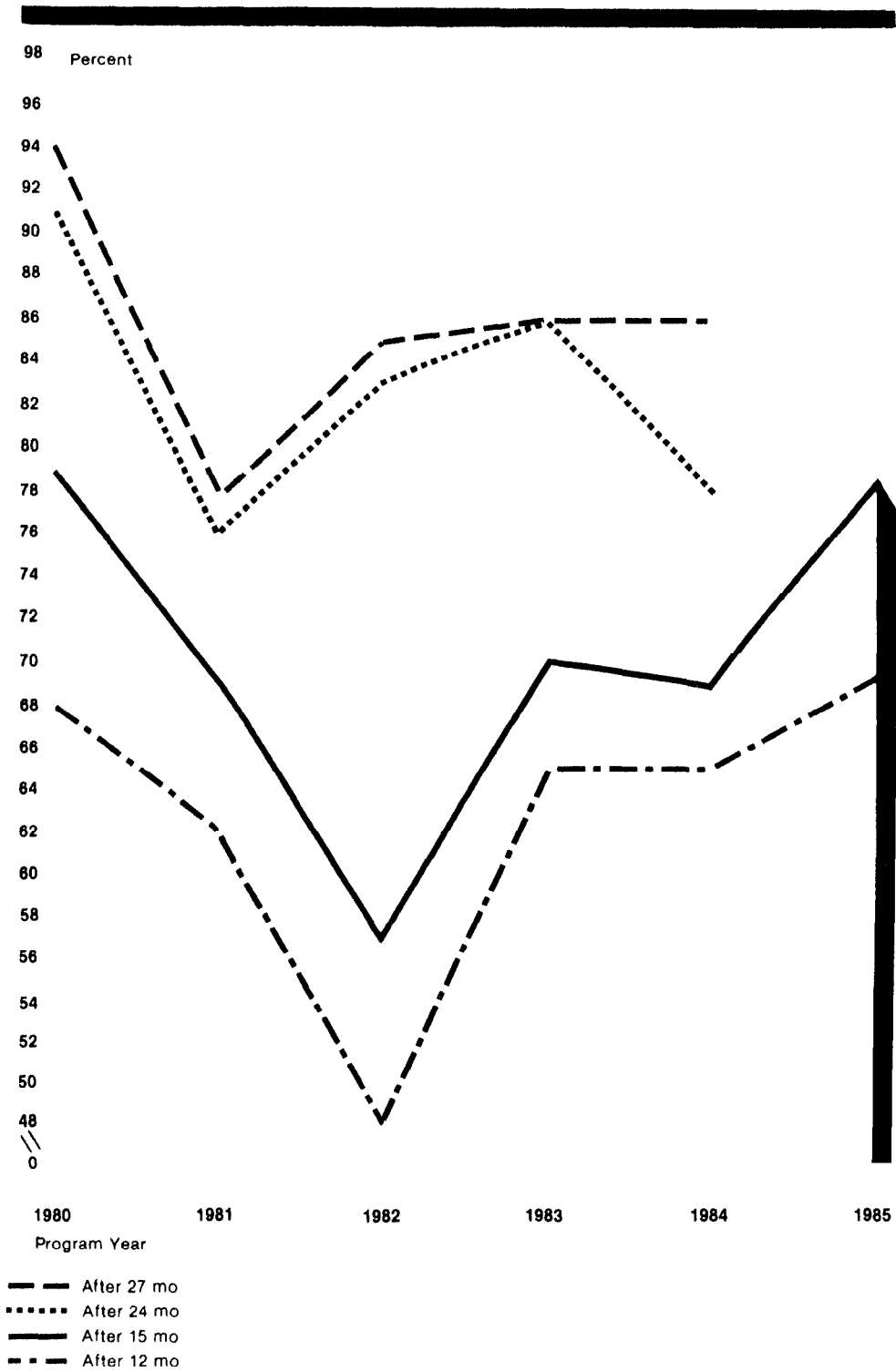


Figure I.3: Percent of Program Years 1980 through 1985 Other Procurement Funds (3080) Obligated at Specific Time Intervals



OBLIGATIONS IN DECEMBER 1985

As shown by table I.5, between December 20 and 31, 1985, AFLC's buying activities obligated about \$400 million of its 1984 and \$656 million of its 1985 funds. By comparison the Command had only obligated \$117.5 million of those funds during the first 19 days of December 1985.

Table I.5: Program Years 1984 and 1985 Procurement Funds Obligated in December 1985

<u>Appropriation accounts</u>	<u>Amounts obligated during</u>		
	<u>12/1-19/85</u>	<u>12/20-31/85</u>	<u>12/1-31/85</u>
	------(millions)-----		
Program year 1984:			
3010	\$ 20.3	\$ 368.8	\$ 389.1
3020	.9	7.4	8.3
3080	<u>11.4</u>	<u>24.5</u>	<u>35.9</u>
Total	<u>32.6</u>	<u>400.7</u>	<u>433.3</u>
Program year 1985:			
3010	74.9	563.3	638.2
3020	.2	25.3	25.5
3080	<u>9.8</u>	<u>67.4</u>	<u>77.2</u>
Total	<u>84.9</u>	<u>656.0</u>	<u>740.9</u>
Program years 1984 and 1985:			
3010	95.2	932.1	1,027.3
3020	1.1	32.7	33.8
3080	<u>21.2</u>	<u>91.9</u>	<u>113.1</u>
Total	<u>\$117.5</u>	<u>\$1,056.7</u>	<u>\$1,174.2</u>

Table I.6 shows the amount of funds AFLC obligated in December 1985 compared to previous years. In December 1985 AFLC obligated about \$2 billion, compared to about \$1.2 billion in December 1984, \$0.6 billion in December 1983, and \$0.9 billion in December 1982. Of these amounts, prior year funds accounted for about 57 percent of the obligations in 1985 and 1984, compared to 29 percent and 17 percent, respectively, in 1983 and 1982. About 87 percent of the total obligated prior year funds were from the aircraft procurement appropriation (3010).



Table I.6: Funds Obligated in December 1985, 1984, 1983, and 1982

<u>Appropriation accounts</u>	<u>Current program year</u>	<u>1st prior program year</u>	<u>2nd prior program year</u>	<u>Total</u>
----- (millions) -----				
December 1985:				
3010	\$295.7	\$638.2	\$389.1	\$1,323.0
3020	3.1	25.5	8.3	36.9
3080	<u>574.9</u>	<u>77.2</u>	<u>35.9</u>	<u>688.0</u>
Total	<u>\$873.7</u>	<u>\$740.9</u>	<u>\$433.3</u>	<u>\$2,047.9</u>
December 1984:				
3010	\$261.6	\$476.1	\$145.8	\$ 883.5
3020	16.3	20.4	1.6	38.3
3080	<u>212.9</u>	<u>21.1</u>	<u>3.2</u>	<u>237.2</u>
Total	<u>\$490.8</u>	<u>\$517.6</u>	<u>\$150.6</u>	<u>\$1,159.0</u>
December 1983:				
3010	\$360.2	\$123.6	\$ 2.1	\$ 485.9
3020	3.5	2.1	.6	6.2
3080	<u>42.6</u>	<u>31.8</u>	<u>4.6</u>	<u>79.0</u>
Total	<u>\$406.3</u>	<u>\$157.5</u>	<u>\$ 7.3</u>	<u>\$ 571.1</u>
December 1982:				
3010	\$478.1	\$101.5	\$ 6.0	\$ 585.6
3020	12.1	11.8	5.6	29.5
3080	<u>265.8</u>	<u>21.3</u>	<u>3.8</u>	<u>290.9</u>
Total	<u>\$756.0</u>	<u>\$134.6</u>	<u>\$ 15.4</u>	<u>\$ 906.0</u>

ACTIONS TO ACCELERATE OBLIGATIONS

The actions taken by AFLC activities to accelerate obligations of 1984 and 1985 funds in late December 1985 included:

- Switching the designated program year funds used to buy spare parts from 1986 to 1984 or 1985. This funding year change was permitted by an October 1985 Air Force policy change which essentially stated that any available replenishment spares funds may be obligated to buy current requirements. Cited benefits of the policy change were increased flexibilities and earlier closeout of prior year accounts. OSD concurred with this policy change. Before this change, only the current year funds (in this case 1986) could be used to buy current year requirements.

--Obligating 100 percent of the estimated value on unpriced contracts when the normal policy was to only obligate up to 50 percent. AFLC headquarters granted the ALC's authority to approve obligating up to 100 percent as part of the effort to accelerate obligations.

--Other actions.

Following are some specific examples of actions taken by the four AFLC activities we visited.

Switching funding year from  
1986 to 1984 or 1985

The Oklahoma City ALC changed funding years on a total of \$206 million in spare parts procurements. Of this, \$186 million was obligated for replenishment spares, most of which were procured on initial provisioning orders for the B-1B. The other \$20 million was obligated for initial spares. The October 1985 Air Force policy change only applied to replenishment spares, therefore, the initial spares buy was not authorized by the policy change.

The Warner Robins ALC awarded nine contracts obligating about \$34 million in program year 1984 and 1985 funds for 1986 replenishment spares requirements.

The Sacramento ALC changed the funding year citations on six replenishment spares contracts amounting to about \$0.8 million and one initial spares contract amounting to about \$0.3 million from 1986 to 1985 or 1984. Again, the change on the initial spares contract was not authorized.

Obligation of funds on  
unpriced contracts

In October 1985 the Air Force Vice Chief of Staff issued a policy which limited obligations on unpriced contracts, before definitization, to no more than 50 percent of the estimated amount of required funds, unless approved in advance by the head of the contracting activity (in this case, AFLC headquarters). On December 24, 1985, AFLC delegated authority, through December 31, 1985, to its ALCs to obligate more than 50 percent of the estimated value on unpriced contracts using program years 1984 or 1985 funds. The 50-percent obligation limit was adopted to provide a control to reduce the problems caused by obligating excess funds on unpriced contracts. For example, in cases where contract definitization occurred after the authorization period expired, the Air Force would lose funds if definitized prices were less than amounts obligated for unpriced contracts. As we recently reported, obligations in fact often greatly exceeded

definitized prices on unpriced contracts.<sup>2</sup> We therefore, believe AFLC's action in late December 1985, which resulted in 100 percent obligations on unpriced contracts, was a questionable way of accelerating obligations of 1984 and 1985 funds.

The Oklahoma City ALC obligated 100 percent of the total estimated value of \$20.3 million for the three unpriced contracts issued during the 12-day period. By doubling the amount of funds that would have otherwise been obligated, the Center increased obligations about \$10 million. These contracts were for urgent requirements and met the criteria for award as unpriced contracts.

The Warner Robins ALC obligated about \$300 million of program years 1984 and 1985 funds on 38 unpriced contracts. The total estimated value of these 38 contracts was about \$306 million, with all but three of them being 100 percent obligated. Had the 50-percent obligation limit been applied, only \$153 million instead of \$300 million would have been obligated. The Center upgraded from routine to urgent a total of 11 purchase requests amounting to \$32.5 million. This upgrade was necessary in order to justify placing them on unpriced contracts in late December 1985.

The Sacramento ALC obligated 100 percent of two unpriced contracts, amounting to about \$2 million.

The 2750th Air Base Wing<sup>3</sup> obligated \$69.7 million on 27 unpriced contracts, with a total estimated value of \$109.8 million. One-hundred percent of the estimated value was obligated on 22 of the 27 contracts. All these contracts were for classified programs that have special approval to use unpriced contracts extensively. If only 50 percent of the estimated contract value had been obligated on these contracts, the amount obligated would have been almost \$15 million less.

Other actions taken which expedited  
the obligations of 1984 and 1985 funds

The Oklahoma City ALC obligated about \$3 million on provisioning item orders for common items and government-furnished equipment. The purchase of such items using provisioning item orders is prohibited by Air Force regulation. This was corrected by deobligating the funds after December 31, 1985.

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<sup>2</sup>Contract Pricing: Obligations Exceed Definitized Prices on Unpriced Contracts (GAO/NSIAD-86-128, May 2, 1986).

<sup>3</sup>The 2750th Air Base Wing is assigned to AFLC and is responsible for operating and maintaining Wright-Patterson Air Force Base.

The Oklahoma City ALC also obligated \$3.4 million of program year 1984 funds on five contracts for replenishment spares buys which had been identified as 1987 requirements. These buys are somewhat questionable since 1987 is beyond the 3 years of availability for 1984 funds.

Finally, the Oklahoma City ALC initiated seven purchases of replenishment spares based on normal buy computations several months prematurely.<sup>4</sup> Center officials said that if they did not initiate purchases early, their obligation performance would be worse.

The 2750th Air Base Wing administratively obligated \$53.5 million of 1985 funds on December 24, 1985, based on a phone call to the contracting officer at another location. The officer said that the funds would be obligated on the subject contract; however, the contract was not actually awarded until January 3, 1986. The 2750th Air Base Wing also used four Notice of Award letters to accelerate the obligation of \$1.9 million of 1984 funds for material handling systems. The definitized contracts were mailed in February 1986. Although an acceptable process, the contracting officer said the use of such letters was rare and done in this case only because of the effort to accelerate 1984 and 1985 funds.

UNOBLIGATED 1984 AND 1985  
FUNDS AS OF MARCH 31, 1986

As shown by Table I.7 AFLC still had almost \$3.2 billion in unobligated 1984 and 1985 funds as of March 31, 1986. In the first 3 months of 1986 AFLC only obligated a net of about \$500 million of 1984 and 1985 funds, as opposed to about \$1 billion obligated between December 20 and 31, 1985.

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<sup>4</sup>This practice is discussed more fully in our report Military Logistics: Buying Spares Too Early Increases Air Force Costs and Budget Outlays (GAO/NSIAD-86-149, Aug. 1, 1986).

Table I.7: Status of 1984 and 1985 Funds as of March 31, 1986

<u>Appropriation accounts</u>	<u>Program amount</u>	<u>Obligated</u>	<u>Unobligated</u>
	----- (millions) -----		
Program year 1984:			
3010	\$ 8,268	\$ 7,580	\$ 688
3020	651	613	38
3080	<u>1,638</u>	<u>1,511</u>	<u>127</u>
Total	<u>10,557</u>	<u>9,704</u>	<u>853</u>
Program year 1985:			
3010	8,980	7,159	1,821
3020	731	636	95
3080	<u>2,013</u>	<u>1,615</u>	<u>398</u>
Total	<u>11,724</u>	<u>9,410</u>	<u>2,314</u>
Total	<u>\$22,281</u>	<u>\$19,114</u>	<u>\$3,167</u>

AFLC'S PROGRAMYEAR 1986 BUDGET EXECUTIONAS OF MARCH 31, 1986

AFLC's program year 1986 obligation rate at 6 months was comparable to the 6 month rates of the previous 3 fiscal years. (See table II.1.) AFLC officials attributed this 1986 budget execution performance to (1) a larger and better trained procurement workforce, (2) substantial cuts in some 1986 budget programs (e.g., aircraft replenishment spares was cut by \$1.07 billion), and (3) learning to compensate for the hindrances caused by OSD's incremental release of 1986 modifications and replenishment spares funds. In one budget program, aircraft initial spares, execution of the program was behind that of prior years. (See table II.2.) AFLC officials said this slow execution was due to the slower incremental release of these funds by OSD.

Table II.1: Program Years 1983, 1984, 1985, and 1986 Procurement Appropriations Status after 6 Months

Appropriation accounts	Program amount <sup>a</sup> (millions)	Percent of program		
		Initiated <sup>b</sup>	Committed <sup>c</sup>	Obligated
3010:				
Program year 1983	\$6,192	53	44	30
Program year 1984	7,849	78	47	27
Program year 1985	8,796	73	48	20
Program year 1986	7,294	74	42	27
3020:				
Program year 1983	273	70	39	20
Program year 1984	473	68	51	15
Program year 1985	728	70	53	20
Program year 1986	574	69	43	22
3080:				
Program year 1983	1,684	71	57	35
Program year 1984	1,573	84	71	43
Program year 1985	2,102	74	66	41
Program year 1986	2,053	79	65	43

<sup>a</sup>The program amounts represent AFLC's estimates, after 6 months, of the total budget authority which will be received for the program year. The 1986 amounts were taken from AFLC's Program Execution briefing dated April 17, 1986. The other program years' amounts were taken from AFLC's monthly "Financial Summary" where they are referred to as "anticipated available," or "requirements."

<sup>b</sup>Percent of program for which purchase requests have been prepared.

<sup>c</sup>Percent of program for which purchase requests have been reviewed and funds have been certified as available and reserved.

Table II.2: Program Years 1986, 1985, 1984, and 1983 Aircraft Initial Spares Funds Status in First 6 Months

<u>Month</u>	<u>Budget authority received<sup>a</sup></u>	<u>Program amount<sup>b</sup></u>	<u>Percent of Program</u>		
			<u>Initiated</u>	<u>Committed</u>	<u>Obligated</u>
----- (millions) -----					
Program year 1986:					
October	\$ -	\$1,071	3	3	-
November	-	1,071	6	6	1
December	150	1,071	6	6	1
January	150	822	16	13	2
February	150	822	17	17	5
March	233	822	25	25	7
Program year 1985:					
October	1,362	1,362	21	21	-
November	1,362	1,377	23	23	16
December	1,362	1,377	36	36	21
January	1,362	1,377	43	43	21
February	1,374	1,376	56	56	24
March	1,372	1,372	58	58	25
Program year 1984:					
October	-	1,219	4	2	2
November	1,115	1,219	6	4	2
December	1,145	1,145	7	6	3
January	1,151	1,151	40	38	30
February	1,239	1,239	44	42	28
March	1,239	1,239	54	52	36
Program year 1983:					
October	661	946	1	-	-
November	661	946	16	16	-
December	661	946	18	18	2
January	661	946	28	28	10
February	661	914	32	32	21
March	882	914	45	45	28

<sup>a</sup>The amounts in this column are cumulative rather than monthly totals.

<sup>b</sup>The program amounts represent AFLC's end of the month estimates of the total budget authority which will be received for the program year.



IMPACTS OF OSD'S INCREMENTAL FUNDING

In April 1986 the ALCs cited specific impacts of OSD's incremental fund release policy. After OSD received this information and a commitment and obligation plan, the balance of the 1986 funds was released. Following is a summary of those impacts cited by the ALCs.

Oklahoma City ALC - The ALC reported that at any one time it had 50 to 75 awards being detained because of funding delays. Delays of two or more weeks were not unusual. Awards of B-1B provisioning item orders for \$224 million were delayed from mid-December 1985 to late January 1986. In addition, other substantial funding delays ranged from a few days up to 3 months. For example, initial spares orders of \$21.5 million were delayed 3 months; \$1.4 million were delayed 2 months; and, \$16.5 million were delayed for 1 month. The ALC also reported the policy was disruptive and created additional workload. From mid-December 1985 to mid-April 1986, about 1,200 hours per month were expended to overcome hindrances caused by the incremental funding policy. For example, about 150 hours per month were needed just to prepare the monthly requirements forecast. In addition, the ALC changed the funding from one program year to another on many more purchase requests than normal, doubling the number of accounting transactions and increasing the chances for error.

Ogden ALC - The Ogden ALC reported experiencing a funding delay for \$50 million in F-16 initial spares. This funding was not received until after a lengthy telephone "campaign." Further, the ALC had to decommit \$9.5 million from three existing modifications and use these funds to award a Minuteman modification. In addition, the ALC experienced a 2-month delay in receiving \$6 million for a Minuteman launch essential and hardness critical item.

San Antonio ALC - The ALC experienced delays in funding about \$2.7 million in awards. Further, in the areas of initial spares, the ALC could not provide \$6 million in funding for needed long leadtime items. As a result, award was made citing Air Force Systems Command funds. This funding citation will be corrected to cite San Antonio funds at the time the contract is definitized.

Sacramento ALC - The ALC had to delay an award, totaling \$58.6 million.

Warner Robins ALC - The ALC reported that during the second quarter of fiscal year 1986, it could not initiate and commit \$165.4 million for needed modifications because of lack of funds.

We did not audit the validity of the above cited impacts.

The October 1985 change in policy allowing the use of prior years funds to buy 1986 requirements for replenishment spares does not appear to have changed AFLC's obligation rates for 1986 funds compared to prior year rates. Two ALCs obligated about \$315 million of 1986 replenishment spares money to buy 1984 and 1985 requirements after December 31, 1985. Such actions would offset the impact of the policy change on 1986 obligation rates.

#### REDUCTIONS IN 1986 BUDGET

AFLC officials contend that they will have no trouble obligating 1986 funds in a timely manner because they have more requirements than funds as a result of the substantial reductions made to their 1986 budget. Table II.3 shows the major reductions made to AFLC's 1986 budget between December 31, 1985, and March 31, 1986.

Table II.3: Reductions in 1986 Program Authority between December 31, 1985 and March 31, 1986

<u>Appropriation accounts</u>	<u>Gramm- Rudman</u>	<u>Inflation adjustment</u>	<u>Congressional cuts</u>	<u>Other</u>	<u>Totals</u>
------(millions)-----					
3010:					
Support equipment	\$ 22.5	\$ 92.5 <sup>a</sup>	\$ -	\$ -	\$ 115.0
Replenishment spares	144.0	111.7	800.9	13.3	1,069.9
Initial spares	<u>199.5<sup>b</sup></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199.5</u>
Total	<u>366.0</u>	<u>204.2</u>	<u>800.9</u>	<u>13.3</u>	<u>1,384.4</u>
3020:					
Missile system	-	-	-	3.1	3.1
Modifications	1.3	-	-	-	1.3
Replacement equipment	4.3	5.6	-	5.0	14.9
Replenishment spares	14.2	-	13.6	.8	28.6
Initial spares	<u>6.7</u>	<u>-</u>	<u>8.7</u>	<u>61.6</u>	<u>77.0</u>
Total	<u>26.5</u>	<u>5.6</u>	<u>22.3</u>	<u>70.5</u>	<u>124.9</u>
3080:					
Munitions	20.3	-	-	26.2	46.5
Vehicles	12.8	-	23.6	1.8	38.2
Electronics & telecom equipment	10.7	-	1.5	6.5	18.7
Other base maintenance equipment	<u>13.3</u>	<u>-</u>	<u>2.4</u>	<u>3.9</u>	<u>19.6</u>
Total	<u>57.1</u>	<u>-</u>	<u>27.5</u>	<u>38.4</u>	<u>123.0</u>
Total	<u>\$449.6</u>	<u>\$209.8</u>	<u>\$850.7</u>	<u>\$122.2</u>	<u>\$1,632.3</u>

<sup>a</sup>Includes congressional cuts as well as inflation adjustments, with no breakout.

<sup>b</sup>A combination of Gramm-Rudman, inflation adjustment, and congressional cuts.

INCREASES IN 1986 REQUIREMENTS

We identified the following changes made to AFLC's requirements computations for replenishment spares in March 1985, which substantially increased fiscal year 1986 requirements.

- (1) A minimum 9 month administrative leadtime was used instead of historical actuals. This increased the computed requirements by \$270 million.
- (2) The war reserve materiel (WRM) stockage levels were increased to support an objective of 20 out of 24 aircraft being mission capable versus the previous objective of 19 out of 24. The estimated increase in computed requirements resulting from this change was about \$300 million.
- (3) The demand rates used to compute WRM requirements were increased for electronic countermeasures equipment by a factor representing the estimated increased usage of this equipment in wartime versus peacetime. Peacetime demand rates had been used in the past. The estimated impact of this change on requirements was about a \$1 billion increase.
- (4) The assumed wartime base repair cycle time was changed from a standard 2 days to peacetime actuals, up to a maximum of 6 days. An estimate of the increase resulting from this change was not available.
- (5) The restriction from buying safety levels in the first buys of replenishment spares for items of stable design was waived. An estimate of the increase resulting from this was not available.

We did not evaluate the validity of these increased requirements. We did, however, identify the following dollar impact of the above changes on specific weapon system requirements:

- F-4 war readiness spares kits/base level self-sufficiency spares (WRSK/BLSS) requirements for 1986 increased by about \$170 million.
- F-111 WRSK/BLSS requirements for 1986 increased by about \$92 million.
- Administrative leadtime requirements for replenishment spares for the B-1B is based on a 9-month minimum even though the replenishment spares are being purchased under provisioning item orders. A 4-month administrative leadtime is normally used for provisioning item purchases. Our calculations show that the five additional months overstated B-1B spares requirements by \$3.9 million.

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