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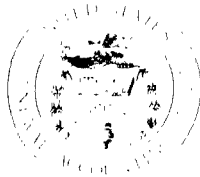
United States General Accounting Office

Report to the Chairman, Committee on
Armed Services, House of
Representatives

January 1991

DOD BUDGET

Air Force's Ability to Track F-15 Operating and Support Costs



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**National Security and
International Affairs Division**

B-242091

January 2, 1991

The Honorable Les Aspin
Chairman, Committee On
Armed Services
House of Representatives

Dear Mr. Chairman:

In April 1990 the Secretary of Defense recommended to the Congress that future Department of Defense (DOD) budget submissions be restructured to focus on forces and missions, such as an F-15 aircraft force. The present budget structure focuses on such items as individual planes, spare parts, maintenance, and personnel. As you requested, we (1) inquired about DOD and Air Force initiatives to restructure future budget submissions, as recommended by the Secretary of Defense, and (2) determined whether the Air Force has accounting systems in place that accumulate and track all operating and support (O&S) costs for a force of F-15 aircraft assigned to a wing.¹ On August 7, 1990, we briefed one of your representatives on the results of our work. This report reflects information presented in that briefing and provides additional information requested during the briefing.

Results in Brief

Neither DOD nor the Air Force has initiatives underway, nor do they plan to restructure the Defense budget on a forces and mission basis. The Office of Secretary of Defense official who proposed that the budget be restructured said the proposal was presented to the President and the Congress in early 1990 to obtain their views. An official with the Office of the Secretary of Defense Comptroller's Office said that further action by DOD on the recommendation would depend on whether the Congress is interested in pursuing the recommendation.

The ability to accumulate and track all O&S costs applicable to a wing is necessary for developing cost-based budgets on a forces and mission basis. The Air Force does not have accounting systems in place to accomplish this. Various Air Force organizations accumulate F-15 related O&S costs but track only some of these costs to a wing. Although the Air Force has a centralized O&S cost data collection system, it does not accumulate all O&S costs and its data are not sufficiently accurate or timely for developing cost-based budgets.

¹A fighter wing of F-15s usually consists of 3 squadrons of 24 operational aircraft each.

Background

In his February 1989 address to a joint session of the Congress, the President charged the Secretary of Defense with undertaking a review of defense management practices. In response, the Secretary sent the Defense Management Report to the President in July 1989. The report called for a subsequent paper that would address the need for cooperation between the executive and legislative branches on defense issues. This paper, White Paper On The Department Of Defense And The Congress, was provided by the Secretary of Defense to the President in January 1990 and to the Congress in April 1990.

The White Paper included a recommendation that the Congress consider changing the required categories in budget submissions from those that focus on such items as individual planes, spare parts, maintenance, and personnel to categories that focus on defense force structure, such as F-15 squadrons. According to the paper, the force structure categories could then be readily presented by mission. DOD suggested that one move in the direction of a forces and mission budget would be for the Congress to combine the funding of major equipment such as F-15s with their related O&S costs.

The O&S cost element structure in the Office of the Secretary of Defense guidelines includes (1) costs directly and indirectly attributable to a specific weapon system, (2) costs for personnel, consumables, depot maintenance, contract unit level support, and sustaining investment that would not occur if the system did not exist, and (3) other indirect costs. These cost elements are funded and tracked through several different budget appropriation accounts.

No DOD Initiatives Underway on Recommended Budget Structure

DOD and Air Force officials told us that no initiatives had been undertaken concerning the DOD White Paper recommendation on the forces and mission budget structure and that none were planned. The Office of the Secretary of Defense official who proposed the recommendation told us that it represented an idea that had been expressed previously and that its inclusion in the Paper was an effort to obtain comments on the recommendation. The official stated that the former Deputy Secretary of Defense had been a strong proponent of the forces and mission budget structure and had advocated its adoption in several public speeches. Furthermore, the current Deputy Secretary of Defense is also a proponent of the idea.

An official with the Office of Secretary of Defense Comptroller's Office also told us that the recommendation did not yet have enough priority to

warrant action by DOD and, to his knowledge, no project officer had been assigned to work on it. The official said that further action by DOD on the recommendation would depend on whether the Congress is interested in pursuing the recommendation.

The recommendation was discussed with several Air Force officials—only one was aware of it. Most of these officials said that the recommendation could be implemented only if there were changes in the way the Air Force currently accumulates and tracks O&S costs.

F-15 Operating and Support Costs

Air Force officials told us that F-15 O&S costs are accumulated by various Air Force organizations and only some of these costs are tracked to specific wings. For example, F-15 maintenance is performed both at the base where aircraft are assigned and at depot maintenance centers. The cost of F-15 wing-level maintenance is accumulated by the wing and is tracked to specific squadrons and aircraft assigned to the wing. However, significant costs accumulated at the depot maintenance centers, such as the cost of some repair parts that are common to several types of aircraft and the cost of common maintenance facilities, are not tracked to specific wings or even specific types of aircraft.

Although we did not examine the accuracy of the data accumulated by these various organizations, in our earlier report on the Air Force's financial management operations,² we stated that Air Force financial systems do not provide its managers with complete and reliable information on either the acquisition or operating costs of its aircraft and missile systems. We recommended, among other things, that the Secretary of the Air Force should direct his Chief Financial Officer to accumulate and report actual costs of weapons systems, which include acquisition costs, government-furnished material, operating and maintenance costs, and modifications.

Costs Accounted for at the Wing

Air Force regulations require F-15 wings to maintain standardized cost accounting systems for some flying costs and general support costs they incur. According to a Tactical Air Command official, flying costs at the wing are comprised primarily of wing level maintenance costs. This was the case at the 33rd Tactical Fighter Wing, Eglin Air Force Base, Florida.

²Financial Audit: Air Force Does Not Effectively Account For Billions Of Dollars Of Resources (GAO/AFMD-90-23, Feb. 23, 1990)

Another Command official told us that general support costs are generally comprised of real property maintenance, communications, and base operations support. However, for the 33rd Tactical Fighter Wing, which shares Eglin Air Force Base with other Air Force organizations, only the base operating support costs, such as civilian salaries and travel and supply costs, are accumulated by the Wing. Other costs, such as housing, communications, and some other services, are absorbed by the other organizations on the base and are not tracked to the 33rd Tactical Fighter Wing.

Costs Accounted for by Other Organizations

According to Air Force officials, among the F-15 o&s costs not accounted for at the wing are aircraft fuel, military salaries, and some depot-level maintenance. Aircraft fuel and military salaries are centrally managed accounts that are tracked and controlled by Air Force Headquarters. F-15 depot maintenance is primarily performed at the Warner Robins Air Logistics Center, Warner Robins Air Force Base, Georgia. According to an official at the Center, significant maintenance costs are not tracked to specific F-15 aircraft. For example, many replacement components that are common to several types of aircraft, such as some types of communication equipment and tires, are centrally procured and the costs of the components are not tracked to specific aircraft or wings. Additionally, the official said that the cost of depot facilities, such as maintenance hangars, paint shops, and common ground support equipment, are not tracked to specific weapon systems such as the F-15 because the depot accounting systems are not set up to allocate those costs.

Limitations of Air Force's Centralized O&S Data System

The Air Force has a centralized o&s cost data collection system—Visibility and Management of Operating and Support Costs. However, this system is not sufficiently accurate or timely for budgeting and other purposes. Air Force officials told us that they are aware of the system's limitations; however, budgetary constraints limit their ability to make changes.

In May 1984, the Office of Secretary of Defense announced a policy to determine and review estimates of future o&s costs of defense systems and to control those costs throughout the operational life of the systems. To support this objective, the Office directed the military services to establish and maintain the data collection systems that would permit the development of a well-defined, standard presentation of o&s costs by defense system. The Visibility and Management of Operating and Support Costs systems were to be designed to produce data that could be

used for budget development, deriving O&S cost estimates for future defense systems, and for other purposes.

According to Air Force officials associated with the system, and documents they have published, the O&S data in the system are not timely, complete, or reliable, and are not used for budgeting purposes. Officials have identified, among others, the following system constraints. The system

- is not real time; some data are more than a year old when produced;
- excludes some weapon systems;
- does not collect and track certain major costs, such as those for communications electronics;
- collects and processes data from other information systems but does not validate the inputs from the systems, even though some of the systems are known to produce questionable data; and
- is not a cost accounting, cost estimating, or a budget system, but is only a cost collecting system.

Air Force officials associated with the system told us that some corrective actions were planned. However, they stated that budget reductions seriously limited what they could do. For example, they said that their budget for fiscal year 1990 was \$1.6 million; but for fiscal year 1991 it will be about \$700,000. They expected the budget to remain at the lower level for the next several years.

Scope and Methodology

To identify DOD initiatives on the forces and mission budget, we interviewed officials with the Office of the Secretary of Defense and Air Force Headquarters, Washington, D.C.; the Tactical Air Command, Langley Air Force Base, Virginia; and Air Force Logistics Command, Wright-Patterson Air Force Base, Ohio.

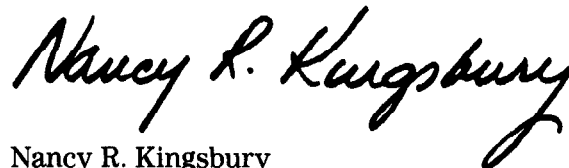
To determine whether the Air Force has accounting systems that accumulate and can be used to track F-15 O&S costs, we interviewed Air Force officials and reviewed pertinent records, directives, and guidelines at Air Force Headquarters; the Tactical Air Command; the Air Force Logistics Command; the Air Force Cost Center, Arlington, Virginia; the Warner Robins Air Logistics Center, Warner Robins Air Force Base, Georgia; and the 33rd Tactical Fighter Wing, Eglin Air Force Base, Florida.

We conducted our review from June through November 1990 in accordance with generally accepted government auditing standards. As requested, we did not obtain official agency comments on this report. However, we discussed the information with DOD and Air Force officials and included their comments where appropriate.

As agreed with your office, we plan no further distribution of this report until 30 days from the issue date, unless you publicly announce its contents earlier. At that time, we will send copies to the Secretaries of Defense and the Air Force; the Director, Office of Management and Budget; and to other congressional committees. We will also make copies available to others upon request.

Please contact me at (202) 275-4268 if you or your staff have any questions concerning this report. Other major contributors to this report are listed in appendix I.

Sincerely yours,



Nancy R. Kingsbury
Director
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