



Highlights of [GAO-06-830](#), a report to the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

## Why GAO Did This Study

The Air Force has turned to service contracts for the F-15C, F-16, Airborne Warning and Control System, and F-15E, and the Army has done the same for helicopter simulator training at its Flight School XXI. The contractors own, operate, and maintain the simulator hardware and software. The military services rely on industry to capitalize the required up-front investment, with the understanding that the contractors will amortize this investment by selling training services by the hour.

GAO was asked to address (1) the factors that led the Air Force and Army to acquire simulator training as a service and whether the decision to use this approach was adequately supported; (2) whether implementation of the approach has resulted in the planned number of simulator training sites being activated; and (3) whether the Air Force and Army are effectively tracking the return on their expenditure of taxpayer dollars.

GAO makes recommendations to the Secretary of Defense intended to improve management and oversight of these service contracts to help ensure that the best approach is used to provide the war-fighter with needed training. In written comments on a draft of this report, DOD concurred with all but one of the recommendations, only partially concurring with one pertaining to the Army's simulator utilization rates. GAO continues to believe that the Army needs to track the extent to which it is using simulator availability.

[www.gao.gov/cgi-bin/getrpt?GAO-06-830](http://www.gao.gov/cgi-bin/getrpt?GAO-06-830).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Lisa Shames at (202) 512-4841 or [shamesl@gao.gov](mailto:shamesl@gao.gov).

## CONTRACT MANAGEMENT

### Service Contract Approach to Aircraft Simulator Training Has Room for Improvement

#### What GAO Found

The Air Force and Army turned to service contracts for simulator training primarily because efforts to modernize existing simulator hardware and software had lost out in the competition for procurement funds. As a result, the simulators were becoming increasingly obsolete. Buying training as a service meant that operation and maintenance (O&M) funds could be used instead of procurement funds. Shifting the responsibility for simulator ownership, operation, and maintenance from the government to the contractor was thought to more quickly enable simulator upgrades to match the changing configurations of aircraft. However, the decision to take a service contract approach was not supported by a thorough analysis of the costs and benefits as compared to other alternatives, despite a Department of Defense directive that provided for such an analysis.

While Air Force and Army officials told GAO the new simulators are significant improvements over the previous ones, the expected number of Air Force training sites have not been activated. For the Air Force, O&M funds have not been allocated at the anticipated levels, leading to schedule slippages. The F-16 simulator contractor cited the funding problems and subsequent schedule slippages as the basis for notifying the Air Force that its situation under the contract was no longer financially viable. The Air Force is in the process of re-competing the F-16 training contract, which will likely result in a training gap for pilots—possibly over 2 years—and additional costs to the Air Force. The start date of the Army's flight simulator training was rebaselined twice, but Army officials told us that adequate training was in place for the flight school participants.

The return on expenditure of taxpayer dollars is not being effectively tracked in three key ways:

- Air Force utilization of simulator training frequently falls well below the hours for which the government is paying. The Army is not collecting data on utilization rates at all.
- The government has little insight into what it is paying for during the development period before training is activated, which can take more than a year. While invoices for preparatory efforts reflect only discrete tasks such as training capabilities assessments, the wide range of invoice amounts and GAO's discussions with contractor representatives suggest that the government is actually making milestone payments to the contractors for a portion of their up-front costs to acquire and develop the simulators.
- Most of the contracts contain award-term provisions, where the contractors can earn an extension of the contract period for good performance. GAO found that the award-term evaluation factors do not always measure key acquisition outcomes such as simulator availability and concurrency with aircraft upgrades.