

GAO

Report to the Chairman, Subcommittee
on Environment, Energy, and Natural
Resources, Committee on Government
Operations, House of Representatives

September 1989

**GOVERNMENT
CIVILIAN AIRCRAFT**

Central Management
Reforms Are
Encouraging but
Require Extensive
Oversight





United States
General Accounting Office
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General Government Division

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The Honorable Mike Synar
Chairman, Subcommittee on Environment,
Energy, and Natural Resources
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

This report updates and builds on earlier GAO reports and testimony on federal civilian agencies' management and use of government aircraft that are configured and used for passenger transportation. It (1) recaps GAO's 1977 and 1983 reports on agencies' aircraft management practices and corrective actions the executive branch took or promised to take in response to those reports; (2) summarizes the results of GAO's 1987 and 1988 follow-up work you requested at selected agencies, as well as inspectors general aircraft reports issued since 1983; (3) evaluates central management actions OMB and GSA have taken since your September 28, 1988, oversight hearing to improve governmentwide guidance, leadership, and oversight of agencies' aircraft management practices; and (4) recommends additional OMB and GSA actions to ensure the success of those reforms.

As arranged with your office, unless you publicly announce the contents of the report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies to the Director of OMB, the Administrator of GSA, congressional committees and subcommittees having an interest in this subject, the heads of the various agencies discussed in the report, and other interested parties. We will also make copies available to others upon request.

The work was done under the direction of L. Nye Stevens, Director, Government Business Operations Issues. He may be reached on 275-8676 if you or your staff have any questions. Other major contributors are listed in appendix VI.

Sincerely yours,

A handwritten signature in cursive script, reading 'Richard L. Fogel'.

Richard L. Fogel
Assistant Comptroller General

determining if their ownership and use were less costly than commercial alternatives. GAO believes that these continuing problems were caused by poor operating agency management practices, ambiguities in governmentwide guidance, and ineffective central management leadership and oversight by OMB and GSA.

In response to these findings, OMB and GSA have recently taken actions that provide a more complete governmentwide framework for correcting long-standing management problems. GAO believes, however, that vigorous, sustained oversight as well as additional central management actions by OMB and GSA are essential to success.

GAO's Analysis

Instances of Aircraft Mismanagement Continue

GAO's follow-up work in 1987 and 1988 and reports by various inspectors general indicated that some agencies were still not justifying the cost-effectiveness of government ownership or administrative use of their aircraft as required by OMB policy. Their ownership and usage practices did not appear justified either by cost or special mission requirements. (See pp. 16 to 17.)

Also, some agencies continued to permit spouses and other nonofficial passengers to accompany top officials aboard government aircraft, a practice GAO has said raises questions about the true purposes of the flights and exposes the government to potential liability. (See pp. 19 to 20.)

Ambiguous Guidance and Ineffective Leadership and Oversight

At a September 28, 1988, oversight hearing, the Deputy Director of OMB agreed that the continuing aircraft management problems were caused in part by ambiguous guidance and ineffective leadership and oversight by OMB and GSA. He promised that corrective actions would be taken. Before the hearing, GSA also promised to take several actions to fulfill its leadership role. (See pp. 20 to 21.)

Subsequently, OMB and GSA have initiated corrective actions to address the continuing aircraft management problems. For example, OMB has (1) clarified and supplemented its guidance for agencies to use in acquiring, managing, using, and accounting for the costs of aircraft; (2) established a leadership, technical assistance, and supporting oversight role for GSA;

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Abbreviations

AAA	Army Audit Agency
BPA	Bonneville Power Administration
DOD	Department of Defense
DOE	Department of Energy
DOT	Department of Transportation
FAA	Federal Aviation Administration
FAMIS	Federal Aircraft Management Information System
FBI	Federal Bureau of Investigation
GSA	General Services Administration
IG	Inspector General
NASA	National Aeronautics and Space Administration
NOAA	National Oceanic and Atmospheric Administration
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
TVA	Tennessee Valley Authority
WAPA	Western Area Power Administration

Although many of the government's aircraft are over 20 years old, others are relatively new. For example, the Federal Aviation Administration (FAA) is currently leasing, with an option to purchase, a new Gulfstream IV that is used for evaluating the nation's aviation system, for providing currency flight training for FAA pilots, and for transporting the Administrator and other senior Department of Transportation (DOT) officials. Also, FAA recently purchased 19 new 1988 model Beechcraft King Air 300s for its flight inspection program.

Basically, there are two general categories of government aircraft—mission aircraft and administrative aircraft.

Mission Aircraft

Mission aircraft primarily support special agency programs, such as fire protection, law enforcement, and land surveys. They often have specialized capabilities and equipment that are used to satisfy special program requirements. Their capability for use as passenger-carrying aircraft is generally limited. The majority of government-owned civilian aircraft fall into this category. However, some agencies classify certain aircraft as mission-related even though the aircraft are used primarily to provide transportation or to keep pilots qualified.

Administrative Aircraft

Administrative aircraft can be used to carry out agency missions, but their primary purpose is to transport passengers or cargo. These aircraft generally do not have specialized capabilities or equipment required for specific agency missions. Instead, they provide transportation services similar to those provided by commercial airlines and by rental, lease, or charter businesses.

Our Past Reports

In 1977, we reported that federal civilian agencies commonly acquired, operated, and managed aircraft independently and inefficiently and without governmentwide policy guidance oversight, coordination, or information systems.¹ We recommended that the Office of Management and Budget (OMB) establish governmentwide policies and procedures and take other leadership actions to improve the management of agencies' aircraft programs and make them more efficient and economical.

¹Improvements Are Needed in Managing Aircraft Used by Federal Civilian Agencies (GAO/LCD-77-430, Dec. 22, 1977).

- work with agencies in developing overall criteria for a uniform cost-accounting system that would standardize aircraft program cost elements and require agency compliance;
- revise its existing guidance on commercial activities to strengthen its application to the acquisition of aircraft and related services and enforce compliance through its budget review process; and
- direct that each civilian agency having substantial aircraft needs establish a central organization to oversee and manage agency aircraft.

We also made other recommendations to OMB that were designed to help ensure that agencies' use of aircraft was economical and fully consistent with mission requirements.

Since GSA already had certain centralized responsibilities for the government's fleet of automobiles, we recommended that it establish a single coordinating office to (1) develop and operate a governmentwide aircraft management information system and (2) provide centralized aircraft services to civilian agencies. We also recommended that GSA establish utilization standards to (1) ensure that the use of government aircraft for mission purposes, is justified and (2) require that agencies dispose of aircraft not justified for mission purposes, because their use is infrequent and uneconomical.

We also issued separate reports on the aircraft programs of two Department of Transportation (DOT) agencies—the Coast Guard and FAA. Our March 1983 report on the Coast Guard headquarters' use of two administrative aircraft questioned the need for those aircraft.³ We found the following:

- The majority of flights on these aircraft were for routine travel that did not appear justified either by time-critical mission requirements or by the lack of commercial air transportation.
- The aircraft were used primarily to transport high-ranking DOT and Coast Guard officials, as well as their spouses and guests, to domestic and overseas locations generally served more economically by commercial airlines.
- A number of flights were made with only a few passengers on board and without justification.

³The Coast Guard Headquarters' Administrative Aircraft Operations: A Costly Way of Providing Transportation (GAO/PLRD 83-45, Mar. 3, 1983).

Executive Branch Actions to Implement Our 1983 Recommendations

In response to our 1983 reports, OMB, GSA, and DOT took actions to improve the management and use of government aircraft. For example, OMB revised its Circular A-76, "Performance of Commercial Activities," in August 1983 to strengthen its applicability to the acquisition of aircraft and related aircraft services. Circular A-76 states that the government's general policy is to rely on commercial sources to supply the products and services it needs, including aircraft and aircraft services, when it is more economical to do so. It requires agencies to justify government performance of such commercial activities through cost studies demonstrating that government performance is less costly than commercially available services. The supplement to Circular A-76 provides a methodology for agencies to use in making these cost studies.⁵

Also, OMB issued Circular A-126, "Improving the Management and Use of Government Aircraft," in October 1983, which contains some of the policy guidance and procedures we recommended. Circular A-126 prescribes policies that executive agencies are to follow in acquiring, managing, using, accounting for the costs of, and disposing of government aircraft configured to carry passengers or cargo. It requires agencies to (1) make A-76 cost studies to justify the initial acquisition as well as the continuing need for government aircraft and the cost-effectiveness of aircraft operations, and (2) justify the flight-by-flight cost-effectiveness of using government aircraft for passenger transportation or other administrative support purposes.⁶

GSA implemented a governmentwide aircraft management information system in February 1985. It contains inventory, cost, and utilization data on most civilian aircraft.

DOT took certain actions and promised to take other actions to improve the utilization of departmental aircraft. For example:

- Administrative travel flights would be limited to those carrying the two senior officers of the Office of the Secretary, the Coast Guard, FAA, and others approved specifically by the Coast Guard Commandant or Federal Aviation Administrator.

⁵In late 1988, OMB directed agencies to complete special A-76 cost studies on all their government aircraft by July 31, 1989. On June 7, 1989, OMB issued a draft change to the A-76 Cost Comparison Handbook containing a streamlined method for making aircraft cost studies. (See pp. 24 to 25.)

⁶In January 1989, OMB issued a revision to Circular A-126, which made a number of changes. (See pp. 23 to 24.)

aircraft program, its overall management and use of administrative aircraft, and its compliance with OMB Circulars A-76 and A-126.

In addition to our work at selected individual agencies that own and operate administrative aircraft, we reviewed and analyzed (1) corrective actions OMB and GSA made in the guiding aircraft management policies in response to our 1983 summary report and (2) laws and administrative policies and procedures that governed the acquisition, management, and use of government aircraft in 1987 and 1988 and discussed them and their effectiveness with responsible OMB and GSA officials. Finally, we (1) evaluated the corrective actions OMB and GSA have taken since the Subcommittee's September 28, 1988, oversight hearing on aircraft and their likely effect on agencies' ownership, management, and use of administrative aircraft; and (2) identified additional central management actions that could ensure the success of these reforms. We did our work in accordance with generally accepted government auditing standards.

Agency Inspectors General Have Reported Similar Problems

Inspectors general of the Departments of Energy, Transportation, Agriculture, Commerce, and NASA as well as the Army Audit Agency have reported problems similar to those we identified in agencies' ownership, management, and use of aircraft. We identified 19 audit reports that questioned one or more aspects of agencies' compliance with the intent or requirements of OMB Circulars A-76 and A-126 and were issued since our June 1983 summary report. Some of these audit reports dealt with the need or justification for agencies' aircraft, while others dealt only with agencies' use of aircraft. Most of the audit reports contained specific recommendations for corrective actions. However, according to agency auditors we interviewed, many of the recommendations have not been implemented. Selected reports are discussed in appendix II.

Ambiguous Guidance and Ineffective Leadership and Oversight

At the Subcommittee's September 28, 1988, oversight hearing on civilian aircraft, we testified on the continuing problems in agencies' ownership and use of administrative aircraft and on the resultant need for more effective executive branch guidance, leadership, and oversight.

Although the executive branch had clarified its aircraft ownership policies, issued new policies and procedures governing aircraft management and use, and implemented an aircraft management information system in response to our 1983 summary report, our 1987 and 1988 follow-up work indicated that agencies were not complying with them. This resulted, in part, from ambiguity in the governmentwide guidance and from ineffective leadership and oversight by OMB and GSA.

Ambiguities in Governmentwide Guidance

As discussed in chapter 1, OMB issued Circular A-126 in 1983 in response to our 1983 summary report and revised Circular A-76. However, the policies, procedures, and methodologies contained in those circulars did not fully and effectively address key issues relating to agency ownership, management, and use of government aircraft. Taken together, OMB Circulars A-76 and A-126 were intended to guide agencies in these areas, but they were not sufficiently interrelated and contained certain omissions and ambiguities that inhibited cost-effective management and use of aircraft.

OMB did not adopt the specific guidance we recommended in 1983 on how, when, by whom, and for what purposes aircraft should be used and on requiring agencies' implementing regulations to define and differentiate between acceptable and unacceptable aircraft use. We recommended that OMB issue guidance requiring that administrative travel on

The requirement in Circular A-126 that agencies justify their administrative use of government aircraft by showing that the variable costs of using the aircraft are not more than the costs of commercial alternatives assumes that agencies have justified government ownership of their aircraft on bona fide mission or economic grounds. Since agencies generally have not made A-76 cost analyses to justify government ownership of their administrative aircraft, the A-126 provision allowing agencies to justify administrative usage by considering only variable costs has not worked the way OMB intended.

Also, Circulars A-76 and A-126 did not contain cost-accounting guidance or standardized aircraft program cost elements for agencies to use in complying with the aircraft ownership and administrative use justification requirements of those circulars. OMB's June 1983 draft of Circular A-126 contained proposed cost accounting guidance and cost elements. OMB deleted them from the final October 1983 version of the circular, but could not tell us why.

Most agencies we reviewed lacked the necessary cost data to comply with the aircraft ownership and administrative use justification requirements and were not making cost comparisons to justify administrative usage. When agencies made the required cost comparisons, they generally either (1) included only some of the variable costs, (2) considered the costs of regularly scheduled commercial airlines but not commercial leases or charters, or (3) used the government aircraft even if their comparisons indicated that the commercial alternative was less costly.

Circular A-126 also did not deal effectively with spousal and other non-official passenger travel aboard government aircraft. Several agencies we reviewed in 1987 and 1988 continued the practice we reported in our 1983 summary report of permitting spouses and other nonofficial passengers to accompany government officials on administrative flights to overseas and domestic locations. Such travel practices are questionable because they may give the appearance of impropriety or cast doubt on the true purpose of the trip. Also, there are substantial potential tort liabilities associated with travel in the event of an accident or other emergency.

In its June 1983 draft of A-126, OMB proposed that the transportation of nonofficial passengers be severely limited and provided only on a cost-reimbursable basis, except where such transportation was statutorily authorized at no cost or authorized by an official agency directive or

requirements, and address other shortcomings suggested by us or the IGs. He also promised that the executive branch would improve the governmentwide aircraft management information system and take actions to improve agencies' compliance with the Circular A-76 requirement to do cost analyses on aircraft.

In view of our follow-up findings and the Subcommittee's scheduled September 1988 oversight hearing, GSA decided in August 1988 to take several actions designed to more fully implement our 1983 recommendations. The agency (1) reorganized its aircraft management function; (2) adopted a revised action plan to assume a technical leadership role in the aircraft area; and (3) created a new aviation management group to develop governmentwide policies, to assist operating agencies in managing their aircraft, and to oversee agencies' aircraft programs.

Revision to Circular A-126

OMB revised Circular A-126, effective January 18, 1989. (See app. III.) The revised circular is designed to improve the management of government aviation resources and to ensure that agencies rely on commercially available aircraft services to meet their transportation and aircraft support needs cost-effectively. Before making this revision, OMB consulted with us, GSA, and an agency users' group comprised of representatives from various executive departments and agencies to get their views on what A-126 should say. Understandably, there were differences of opinion as to how explicit A-126 should be and how it should be worded.

Although the revision to Circular A-126 that emerged from this consultative process may not be explicit enough concerning reliance on commercially available aircraft to satisfy agencies' routine administrative travel requirements, it is an improvement over the original 1983 version of the circular. Basically, OMB's revised Circular A-126

- applies to all government owned, leased, chartered, and rental aircraft and related services, while the original 1983 circular applied only to aircraft that were configured to carry passengers and cargo;
- clarifies that agencies are expected to comply with OMB Circular A-76 before acquiring aircraft and related services to ensure that such aircraft and services cannot be obtained from, or provided by, the private sector more cost-effectively;
- requires that agencies provide OMB and GSA with copies of their A-76 studies justifying the continuing need for government aircraft and the cost-effectiveness of in-house aircraft operations;
- defines aircraft mission requirements as activities that, other than transporting passengers or cargo, must be accomplished to carry out the agency's statutory responsibilities;
- requires that agencies justify and document each use of an agency-owned or -operated aircraft to transport passengers or cargo;
- requires that agencies' aircraft programs comply with the internal control requirements of OMB Circular A-123, "Internal Control Systems," and that agencies report any material weaknesses in their programs in the annual internal control reports to the President and Congress;
- establishes a governmentwide leadership, technical assistance, and supporting oversight role for GSA in the aircraft area;
- requires that agencies cooperate with GSA in the development of aircraft management policies and standards and in the collection of aircraft information; and

procedure for, determining the comparable costs of commercially available aircraft services. Instead of requiring agencies to complete a competitive procurement, the draft guidelines permit agencies to estimate the costs of leasing or chartering commercial aircraft by using the actual vendor price data in GSA's Federal Aircraft Management Information System (FAMIS). These vendor price data represent the actual prices federal agencies have paid to lease or charter commercial aircraft. To use this simplified costing method, however, agencies must participate in GSA's aircraft management information system.

OMB's proposed change to the A-76 cost comparison handbook also restates the executive branch's policy that agencies are to rely on commercial airline or aircraft services to meet their aircraft support needs, where possible and cost-effective. It also contains guidance for agencies to use in preparing performance work statements and in developing the costs of government performance. It requires agencies to determine the relative cost effectiveness of fitting commercial aircraft with any required special government equipment, such as unique navigational aids, secure communications, or flight test devices. While recognizing that some government officials require enhanced levels of security, OMB's draft guidelines specifically state that a requirement for security devices is not sufficient to justify procurement or retention of government aircraft since, in most cases, the aviation industry can accommodate the government's need for on-board security devices.

In an April 25, 1989, memorandum, OMB's Executive Associate Director reiterated to agency heads the special A-76 cost study requirement the former OMB Director established in November 1988 and reminded them that OMB revised its Circular A-126 in January 1989 in response to GAO and IG findings and congressional concerns. (See app. V.)

GSA Initiatives

As mentioned earlier, GSA initiated actions in August 1988 designed to more fully implement our 1983 recommendations and fulfill its envisioned governmentwide leadership role in the aircraft area. Effective August 9, 1988, GSA transferred the functions related to the governmentwide aircraft management program within its Federal Supply Service from the Fleet Management Division to the Transportation Systems Staff and formed within that staff a new aviation management group. According to GSA, this change was made to provide a new perspective.

GSA's new aviation management group is responsible for governmentwide aviation management policy development and oversight

- coordinating the development of effectiveness measures and standards, policy recommendations, and guidance for the procurement, operation, safety, and disposal of civilian agency aircraft;
- operating a governmentwide aircraft management information system;
- identifying and advising agencies and OMB of opportunities to share, transfer, or dispose of underutilized aircraft; to reduce excessive aircraft operations and maintenance costs; and to replace obsolete aircraft; and
- providing technical assistance to agencies in establishing their own automated aircraft information systems and doing the cost analyses required by Circulars A-76 and A-126.

This revision should provide GSA the mandate it had lacked to address the long-standing concerns about the use of government aircraft, the disposal of aircraft not justified by mission requirements, and the standardization of aircraft policies and procedures.

Our Evaluation of the Reforms

The reform initiatives OMB and GSA have undertaken in response to our follow-up findings build on improvements begun in 1983 but not adequately pursued between 1983 and 1988. The revision to Circular A-126 and increased emphasis on Circular A-76 requirements clearly represent improvements. With these improvements in governmentwide guidance, the leadership role that Circular A-126 established for GSA, and the provisions for OMB and GSA oversight of agencies' aircraft justifications, the executive branch has finally established a framework for addressing the major concerns discussed in our 1983 summary report on aircraft management. As discussed earlier, even though the guidance and implementing regulations were improved in 1983, agencies did not improve their actual aircraft practices. This lack of improvement underscores the need for more effective executive branch leadership and oversight to ensure that it does not happen again.

While we believe that the OMB and GSA reform initiatives are encouraging because they provide the basic framework and thus the opportunity to finally reform agencies' poor aircraft management practices, key questions remain unanswered. For example:

- Is the revised guidance clear enough to prevent some agencies' continued ownership and use of aircraft for administrative travel that is not cost-effective?

The A-76 Process

The key to OMB's approach is to control agencies' acquisition of, and continuing need for, government civilian aircraft through Circular A-76 cost studies that are designed to determine the most cost-effective means of satisfying agencies' needs for goods and services. Circular A-76 cost studies, including the special recently required studies for aircraft, are centrally overseen by OMB's Office of Federal Procurement Policy (OFPP) with assistance from the Office of Privatization. OMB's Government Operations Division is responsible for overseeing Circular A-126, which governs the management and use of government aircraft. The split in responsibilities between OFPP and the Operations Division may hamper the effectiveness of these oversight efforts. Also, certain general questions persist about the government's implementation of A-76.

Two recent reports by this office addressed, among other things, the executive branch's use of OMB Circular A-76 as a cost-reduction vehicle. One report discussed the Department of Defense's (DOD) implementation of Circular A-76.¹ The other report evaluated OMB's management leadership in improving government operations.²

In the first report, we evaluated DOD implementation of OMB Circular A-76 at the request of the Senate Governmental Affairs Subcommittee on Federal Services, Post Office, and Civil Service. Our report summarized our earlier studies of A-76 and discussed key implementation issues, such as the program's potential cost savings and congressional exemptions for certain activities and agencies, agencies' progress in attaining A-76 cost study goals, and how the A-76 process affected DOD operations as well as DOD employees. It was based largely on DOD's experience because DOD is the agency with the most experience in implementing A-76.

We concluded that the A-76 process has led to savings and encouraged competition for providing quality goods and services. However, we pointed out that major concerns raised by federal employees and unions regarding various implementation issues continually cloud the A-76 cost study process. DOD A-76 cost studies often have been time-consuming, difficult, disruptive, and threatening to activity managers and employees. Between 1984 and 1987, executive agencies studied, on average, 26 percent of the commercial positions that OMB targeted for study. OMB has

¹Federal Productivity: DOD's Experience in Contracting Out Commercially Available Activities (GAO/GGD-89-6, Nov. 28, 1988).

²Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

by removing A-76 from OFPP and placing it in one of OMB's management divisions.³

The supplement to OMB Circular A-76 contains guidance and instructions for agencies to use in determining whether commercial activities should be operated under contract with the commercial sector or in-house using government facilities and personnel. However, this methodology necessarily is broad and general because it applies to all government commercial activities, not just to aircraft operations. As discussed earlier, OMB agreed in January 1989 to issue special streamlined guidelines for agencies to use in making the required aircraft A-76 cost studies. The draft guidelines that OMB finally issued on June 7, 1989, refer to OMB Circulars A-76 and A-126 but they do not mention the special aircraft A-76 cost studies that agencies were required to complete by July 31, 1989. Also, they are more general than the draft guidelines GSA prepared in February 1989, particularly on developing the costs of owning and using government aircraft. According to an OMB privatization official in June 1989, OMB expects GSA to issue later this year more detailed guidance for agencies to use in making A-76 cost studies for their aircraft. GSA officials confirmed to us that OMB has asked them to develop and issue such detailed guidance as a new GSA regulation. GSA officials said that their new regulation will probably be similar to the draft guidelines they prepared for OMB in February 1989.

In view of agencies' past aircraft management practices and the need for supplemental guidance to make the special A-76 studies, the new aircraft cost-accounting guidance and cost elements in the January 1989 revision to Circular A-126, and the importance of the special A-76 cost studies from a management control standpoint, we encouraged OMB in February 1989 to extend the July 31, 1989, deadline for completing them to better ensure that agencies have sufficient criteria, data, and time to do them properly. OMB declined to extend the deadline because it believed that agencies would be able to complete them on time.

As of August 1, 1989, however, no federal agencies had complied with the A-76 cost study requirement and only one agency (DOE) had provided OMB a firm schedule for completing such studies. According to OMB officials, several agencies that own or lease aircraft, including the

³According to officials of OFPP and the Office of Privatization on August 1, 1989, OMB decided to transfer the A-76 function to its management directorate as we recommended. This transfer, which also includes the Office of Privatization, is expected to occur early in fiscal year 1990. In the meantime, OFPP is rewriting Circular A-76 to consolidate its policies, guidance, and provisions into one basic document.

as required by the revised Circular A-126. While A-126 does not specifically provide for any oversight of agencies' justifications for administrative use, OMB or GSA will need to monitor agencies' actual use of government aircraft and compliance with the administrative use criteria or ask the President's Council on Integrity and Efficiency or individual IGS to review agencies' compliance and report on the results. Such oversight of agencies' actual use of government aircraft would complement the A-76 aircraft justification studies and could help identify aircraft that are not justified on mission or economic grounds.

Also, OMB will need to assertively support and defend GSA efforts to fulfill its intended technical leadership, agency assistance, and supporting oversight role. At the Subcommittee's September 28, 1988, oversight hearing, we endorsed GSA initiatives to reorganize its aviation management program and to adopt a more assertive action plan and strategy for fulfilling its leadership role in the aircraft area. While we remain encouraged about the prospect of GSA finally achieving those expectations, the expectations have not yet been realized.

Despite our 1983 recommendations, the promises made in August and September 1988, and the mandated role provided by OMB Circular A-126 as revised in January 1989, GSA still has not solidified its role and capabilities in the aircraft management area. We think that this is largely because of still uncertain management commitment and support by GSA and its failure to provide adequate staff for its new aviation management group. The full-time equivalent staffing level for the new group was expected to be about 12 positions; however, the group had only one full-time person as of August 1, 1989. While the aviation group worked with OMB to revise A-126 and drafted, on OMB's behalf, guidelines and a streamlined methodology for making aircraft A-76 cost studies, it is not staffed adequately to do its job effectively. Its organizational placement within GSA's Federal Supply Service may have contributed to the understaffing.

GSA also needs to help executive agencies more fully develop their aircraft cost, utilization, and reporting systems. This could enhance the validity of their A-76 and A-126 aircraft ownership and administrative use justifications and could provide OMB and GSA with more complete and accurate data to facilitate centralized executive branch oversight of agencies' aircraft programs. This could also permit GSA to fulfill its governmentwide responsibilities for (1) developing measures and standards to ensure cost-effectiveness, policy recommendations, and guidance on the procurement, operation, safety, and disposal of civilian

- Is it permissible for agencies to permit spouses and other nonofficial passengers to accompany government officials on government flights to overseas locations?
- Should spouses and other nonofficial passengers be permitted to fly free on government aircraft?
- Are there steps the government can or should take, such as making nonofficial passengers sign liability waivers, to negate or minimize its potential liability for nonofficial passengers in the event of an accident or other emergency?

costs of commercial aircraft alternatives, and the lack of detailed guidance on determining the costs of government ownership, the July 31, 1989, deadline for completing the special A-76 aircraft justification studies may have been unrealistic. However, it is critical that agencies complete the required studies because the A-76 aircraft justification decisions made will not be reevaluated for several years.

Besides an additional investment in GSA or OMB staff and the use of the budget process to enforce agencies' compliance, the active assistance from the President's Council on Integrity and Efficiency and individual IGs would be helpful in supplementing oversight and enforcement efforts. OMB leadership has changed since the commitment to revamp aircraft management was made in September 1988, and a continuing commitment will be needed to sustain these efforts. Some organizational changes within GSA and OMB could enhance the likelihood that the reforms will succeed by providing a new, more focused governmentwide perspective. In the long term, OMB may find that consolidating all its policies and procedures concerning aircraft ownership, management, and use into one circular—its existing Circular A-126—could help focus governmentwide attention on aircraft matters.

Recommendations to the Director of OMB

We recommend that the Director of OMB take the following actions:

- Sustain efforts begun during the last administration to (1) provide overall management leadership aimed at getting executive agencies to improve their management and use of aircraft and (2) rely on GSA to provide technical leadership, assistance to agencies, and supporting oversight of agencies' aircraft operations and ensure that OMB as well as GSA devote the necessary staff to effectively oversee agencies' actual aircraft practices so that the ongoing reform efforts do not dissipate from lack of sustained attention as did those in 1983.
- Integrate the executive branch's aircraft oversight and enforcement efforts with the budget process and use the budget, the President's Council on Integrity and Efficiency, and individual IGs to oversee and enforce agencies' compliance with the aircraft ownership, operation, and administrative use requirements of Circulars A-76 and A-126.
- Establish a new deadline for completing the special A-76 aircraft justification cost studies and, in the meanwhile, issue the additional executive branch guidance for making such studies that had already been planned for later this year to ensure that agencies have sufficient criteria and time to do the special studies properly. Agencies should be held accountable for meeting the new deadline and the budget process should be used

Justice's Use of Aircraft to Meet Attorney General's Needs

In connection with our work on agencies' use of certain aircraft models, we identified Federal Bureau of Investigation (FBI) aircraft that were used regularly to transport the Attorney General to speeches, conferences, and meetings. At the request of the House Government Operations Subcommittee on Government Information, Justice, and Agriculture, we reviewed the nature of, and justification for, those trips as well as all other trips that the Attorney General made on government-owned or -chartered aircraft and regularly scheduled commercial airlines between February 25, 1985, and June 30, 1988.

On the basis of travel itineraries, travel vouchers, and flight summaries of FBI aircraft, we identified a total of 188 trips by the Attorney General during that 40-month period—112 on FBI-owned or -chartered aircraft, 22 trips on DOD aircraft, 2 trips on FAA aircraft, 40 trips on regularly scheduled commercial airlines, 8 trips on a combination of FBI aircraft and regular commercial airlines, and 4 trips on a combination of other government and commercial aircraft, including the Coast Guard's Gulfstream II jet. According to the Department of Justice, all the Attorney General's trips were incident to, and directly supportive of, law enforcement missions. Also, Justice said that the trips on government aircraft were fully consistent with the principles of OMB Circular A-126 because the private sector, in many cases, could not meet the Attorney General's needs in a timely, effective manner. However, we found no compelling evidence that Justice had complied with the intent of OMB Circular A-126 regarding the use of agency aircraft for those trips or that it had considered the use of leased or chartered aircraft.

Routine Travel on Two Coast Guard Aircraft

Despite promised improvements in aircraft utilization following our 1983 report, we found that during calendar year 1987, the Coast Guard continued to use those aircraft primarily for routine administrative travel to U.S. and overseas locations that did not appear to be justified on mission or economic grounds.

The Gulfstream II jet based at National Airport was used during 1987 for travel to domestic as well as overseas conferences, meetings, and other functions. Although Coast Guard logs categorized many of these flights as operational missions, available documentation and discussions with responsible Coast Guard officials indicated that these flights were administrative in nature.

The Gulfstream I turboprop based at Elizabeth City, North Carolina, was used as a backup administrative aircraft. About 70 percent of its

FAA Acquired New Aircraft Without Making A-76 Cost Studies

We noted that FAA recently acquired several aircraft without completing A-76 cost studies. For example, FAA leased a 1983 model Gulfstream III for 9 months and is currently leasing a new Gulfstream IV for its evaluation, currency, and transportation program and purchased 19 new 1988 model Beechcraft King Air 300s for its flight inspection program.

The House-Senate Joint Conference Report on fiscal year 1988 appropriations for FAA included \$4.3 million for FAA to acquire a replacement for its 28-year-old Lockheed Jetstar aircraft based at Washington National Airport. FAA had used the Jetstar to evaluate the national airspace system and to provide flight proficiency training (currency) for its pilots and for top-level DOT and FAA officials' administrative transportation. The conference report noted that adequate support of FAA's evaluation, currency, and transportation program requires an aircraft equipped with state-of-the-art systems and capable of operating at speeds, ranges, and altitudes that are representative of other civilian aircraft.

Pursuant to that authority, FAA contracted with Gulfstream Aerospace Company to lease a used Gulfstream III with an option to purchase a new Gulfstream IV. FAA took delivery of the leased Gulfstream III in August 1988. At that time, FAA said that it planned to continue to lease the Gulfstream III until Congress appropriated additional funds to either continue that lease or purchase a new Gulfstream IV. The estimated first-year lease cost for the Gulfstream III was about \$3 million. Thus, the \$4.3 million that Congress appropriated in 1988 would permit FAA to lease the Gulfstream III for a total of 18 months or until about February 1, 1990. Under the terms of the lease-purchase agreement, a new Gulfstream IV would cost FAA anywhere from \$21.7 to \$26.5 million, depending upon when the purchase option is exercised. Until a final decision is made on the Gulfstream III or Gulfstream IV, FAA said that it plans to retain the Jetstar and use it in another capacity.

FAA did not make an A-76 cost study to justify its replacement of the Jetstar. FAA said that it replaced the Jetstar because the House and Senate Appropriations Committees directed it to do so and it was unclear as to whether A-76 applied in this instance. As required, FAA reported to both Committees on March 15, 1989, on its utilization of the leased Gulfstream III. FAA reported that during the 5-month period that ended January 31, 1989, it used the Gulfstream III for a total of 273.2 flight hours—12.4 hours for evaluation, 43.1 hours for training, 26 hours for transportation, 154.7 hours for pilot proficiency flights (currency), and 37 hours for miscellaneous purposes. FAA pointed out that the Gulfstream III's maintenance reliability exceeded that of the Jetstar and that

Our analysis of TVA's passenger services from August 1987 through January 1988 indicated that the cost-effectiveness of its use of three administrative aircraft varied depending on the type of flight, the type of aircraft used, and the number of passengers flown. On the one hand, TVA's regularly scheduled shuttle flights between its principal locations were frequently less costly than using charter services or commercial airlines. On the other hand, TVA's special flights to nonTVA shuttle locations generally were more costly than using charter or regular commercial airline services.

We compared TVA costs of using its aircraft for 82 of 133 regular shuttle flights between TVA locations during our review period with the costs of using charter services. We estimated that TVA achieved a net savings of \$17,182 by using its own aircraft for these flights. TVA's use of its own 19-passenger Gulfstream and 8-passenger Beechcraft King Air aircraft for the Valley and Paducah shuttle routes was less costly than using charter services, but its use of a leased 8-passenger Beechcraft King Air for the Valley shuttle flights was costlier than using charter services. However, our analysis assumed that the travel between shuttle locations was justified and focused only on TVA's decision to use its existing aircraft or charter services.

Our analysis of 97 of 100 special flights between nonTVA shuttle locations during our review period indicated that TVA's use of its aircraft was frequently costlier than using charter or regularly scheduled commercial airline services. We estimated that TVA could have realized a net savings of \$15,204 by using charter or commercial airline services for the 97 flights. However, using its 19-passenger Gulfstream generally was less costly than using a commercial alternative.

While TVA made periodic cost-effectiveness studies of its passenger aircraft program and had procedures requiring flight-by-flight cost comparisons to justify all flights between nonTVA locations, it did not always determine or use the less costly means of satisfying its passenger transportation requirements. Our review of 97 special flights during the 6-month period that ended January 1988 disclosed that TVA did not make flight-by-flight cost comparisons for 27 of those flights. Of the flight-by-flight cost comparisons TVA made for 70 special flights, 12 flights were made even though the cost comparison indicated that the use of TVA aircraft was not cost-effective. TVA's procedures permitted division directors and higher-level TVA officials to authorize the use of TVA aircraft even when the costs were higher than commercial alternatives. In 11 of these 12 instances, the flight passenger manifest showed

Selected Inspectors General and Other Aircraft Audit Reports Issued Since October 1983

Since October 1983, the inspectors general of various departments and agencies and the Army Audit Agency (AAA) have issued at least 19 reports on problems in executive agencies' ownership, management, and use of administrative aircraft. Many of their findings were similar to those we found in 1983 and again in 1987 and 1988. Selected reports are discussed below.

Department of Energy Not Justifying Aircraft Need or Use

The Department of Energy's (DOE) Inspector General issued five reports on DOE's management and use of aircraft that indicate that DOE is not justifying and using its aircraft as intended by OMB Circulars A-76 and A-126. These reports also indicate that DOE has largely ignored the findings and recommendations of its IG.

In December 1984, DOE's IG reported that the Western Area Power Administration's (WAPA) decision to buy a 1981 Cessna Citation II aircraft was made without an adequate determination of need, cost comparisons demonstrating the cost-effectiveness of the acquisition, or consideration of available commercial alternatives. As a result, the IG said that WAPA would incur unnecessary additional aircraft costs of \$129,400 annually, or \$1.9 million over the estimated 15-year life of the aircraft. Although the IG agreed that WAPA had a valid need for some form of air service for occasional trips to remote locations not served by commercial airlines, he said that WAPA could not provide the evidence intended by OMB Circular A-76 that its ownership and operation of its own jet aircraft were economically justified. The IG recommended that WAPA dispose of the Cessna Citation II and, from then on, follow OMB Circular A-76 in developing reliable information to support future acquisitions of aircraft and aircraft services. DOE did not concur with the IG's findings and recommendations, and as of November 1988, WAPA continued to own and operate the Cessna.

Similarly, in April 1985, DOE's IG reported that the Bonneville Power Administration (BPA) purchased a \$1.4 million aircraft without an adequate demonstration of need and without preparation of a complete lease-versus-purchase study justifying the acquisition. OMB exempted BPA from doing an A-76 cost study for this particular acquisition; however, Circular A-76 still requires that a procurement be as cost-effective as possible. BPA's analysis was incomplete, but it showed that replacing the aircraft by purchase was not cost-effective. Additionally, BPA did not adequately demonstrate a lack of suitable commercial and charter air service or improved employee productivity through reduced travel time

meet known passenger needs. During fiscal years 1986 and 1987, DOE utilized, on the average, no more than 21 percent of the full seating capacity of the aircraft on these flights. The IG concluded that DOE was spending about \$500,000 annually on unnecessary flights because it did not comply with the cost analyses and the determination of actual need requirements of OMB Circular A-126. The IG recommended that the Albuquerque Operations Office make an annual evaluation of the need for, and cost-effectiveness of, air passenger service and reduce the number of flights between Albuquerque and Los Alamos. Although the manager of the Albuquerque Operations office agreed that fewer round-trip flights would meet the needs of official passengers, Los Alamos officials believed that such schedule changes would have undesirable effects on DOE's weapons programs.

Three Corps of Engineers Aircraft Not Justified

In July 1987, the Army Audit Agency reported that the U.S. Army Corps of Engineers' retention of three administrative aircraft was not justified in view of the costs involved and that the Corps' use of those aircraft for routine administrative travel could be made at lower cost by using regularly scheduled commercial airlines or chartered aircraft. AAA found that the Corps spent about \$2.4 million to operate and maintain those three aircraft and that they were used for 254 flights costing an average of \$9,400 each. It concluded that none of the 254 flights it examined were essential to the Corps' mission and that all but 1 of the flights could have been made on commercial aircraft at significantly less cost. Also, the Corps allowed nonofficial passengers, including the spouse of the Chief Engineer as well as large groups of its employees, to accompany senior officials on domestic and overseas trips.

AAA recommended that the Corps sell the three administrative aircraft. However, the Corps and the Assistant Secretary of the Army for Civil Works disagreed with that recommendation. Subsequently, the Under Secretary of the Army decided to make the three aircraft available for general Army air travel requirements through a pooling and centralized scheduling arrangement with user reimbursement to the civil works revolving fund. On the basis of the results of this pooling and centralized scheduling arrangement, the Army promised to reassess its decision to retain those aircraft.

The Army implemented the pooling and centralized scheduling arrangement in March 1988. Subsequently, it decided to use its general travel money to reimburse the civil works revolving fund for use of the Corps' aircraft. According to an Army official in May 1988, the Army did this

analyses to justify those acquisitions because it believed that these aircraft were inherently government in nature and, therefore, not subject to the A-76 acquisition requirements. As of November 1988, this matter had been referred to OMB for resolution.

NASA Did Not Justify Administrative Usage

In January 1986, NASA's IG reported that the Kennedy Space Center was not complying with OMB Circular A-126 requirements on the use of aircraft. Instead, the Space Center permitted administrative flights if (1) at least one passenger on the flight held a senior staff position (of which there were 17) or (2) the number of planned passengers on the flight exceeded six, which made it cost-effective. The Space Center did not document approval of the flight itineraries or determine the variable costs associated with those flights. NASA's IG examined a sample of 49 flights and found that for 16 of them (33 percent), the variable costs of operating the aircraft were about \$15,000 more than estimated commercial costs. The IG also found that the Space Center had not ensured that all passengers transported possessed travel authorizations and were on official business.

NASA's IG recommended that the Space Center justify administrative flights using the OMB Circular A-126 criteria and ensure that all passengers on its aircraft have official travel authorizations or other documentation. According to the IG's office in November 1988, the Space Center began documenting passengers' "travel" authorizations but was still not complying with the administrative use policies of Circular A-126.

Two NOAA Aircraft Not Justified

In March 1988, the Department of Commerce's IG reported that the National Oceanic and Atmospheric Administration (NOAA) was acquiring more aircraft and aircraft personnel than it needed. For example, NOAA increased its fleet of aircraft from 11 in 1983 to 14 in 1986, while its average number of annual flight hours per aircraft decreased. The IG recommended that NOAA dispose of two of its fixed-wing aircraft—a Cessna Centurion II and a Twin Otter—and make commensurate reductions in its aircraft personnel. In its official response to that audit report, NOAA agreed to consider disposal action. As of November 1988, however, NOAA still owned those aircraft.

**Appendix II
Selected Inspectors General and Other
Aircraft Audit Reports Issued Since
October 1983**

Regarding the IG's finding that FAA's transportation flights were not cost-effective, FAA said that it did not believe that the FAA Administrator should have to justify transportation flights as cost-beneficial because the Administrator has a mission requirement to maintain an active and visible presence in the aviation system, and that requirement cannot be met through the use of commercial transportation. FAA also said that it intends to discuss the appropriate use of its aircraft with the Office of the Secretary of Transportation and that any necessary changes will be incorporated in agency and departmental regulations. In response, the IG said that all FAA use of government aircraft, including that by the FAA Administrator, is governed by OMB policies and departmental regulations that presently require transportation flights to be cost-effective. While the IG agreed that the FAA Administrator should make limited use of government aircraft to gain first-hand knowledge of the aviation system, the IG said that currency and evaluation flights should not be the only method by which the Administrator gains first-hand exposure and interacts with aviation operations. Also, the IG said that such flights should not be used to disguise an actual transportation flight. Finally, the IG suggested that the Administrator should frequently, and without prior notice, use commercial aircraft to observe and familiarize himself with the air traffic control system, flight deck procedures, and cockpit discipline.

5. General Policies. The following general policies apply to the acquisition, management, and use of agency-owned or operated aircraft:

- a. The number of aircraft and their capacity to carry passengers and cargo shall not exceed the level necessary to meet mission requirements, except when larger aircraft would more cost effectively meet those requirements.
- b. Agencies must comply with OMB Circular No. A-76 before purchasing, leasing or otherwise acquiring aircraft and related services to assure that these services cannot be obtained from and operated by the private sector more cost effectively.
- c. Agencies shall review periodically the continuing need for all of their aircraft and the cost effectiveness of their aircraft operations in accordance with the requirements of OMB Circular No. A-76. A copy of each agency review shall be submitted to GSA when completed and to OMB with the agency's next budget submission. Agencies shall report excess and release all aircraft that are not fully justified by these reviews.
- d. Government aircraft shall be used only when such use is more economical than commercial airline or aircraft services, or when commercial service is not available to meet effectively the agency's transportation need.
- e. Agencies are responsible for establishing clear accountability for aircraft management at a senior management level.
- f. The transportation of passengers or cargo on government aircraft shall be limited in accordance with law and as authorized by an official agency travel or transportation policy.

6. Specific Definitions and Policies. The following definitions and policies apply to the use of agency-owned or operated aircraft:

- a. Mission requirements - Activities, other than transporting passengers and/or cargo, which must be accomplished in order to carry out the agency's statutory responsibilities.
- b. Allowable transportation uses - In addition to being used to meet mission requirements, agency-owned or operated aircraft shall be used only to transport agency employees, government authorized cargo, other

- (1) Their internal policies and procedures for procuring aircraft and related services are consistent with the requirements of OMB Circular No. A-76.
 - (2) Their aircraft programs comply with the internal control requirements of OMB Circular No. A-123 and that they are included in the agency's Management Control Plan. Any material weaknesses in these programs are to be reported in the annual internal control reports to the President and the Congress.
 - (3) They cooperate with the General Services Administration in the development of aircraft management policies and standards and in the collection of aircraft information.
- b. The Secretaries of Defense and State and Administrator of General Services will incorporate the applicable policies in this Circular in the travel regulations which they promulgate for uniformed service, foreign service, and civilian employees, respectively. Travel on government aircraft must be justified to and approved by an agency official designated by the agency head. All official travel on government aircraft must be properly authorized.
- c. The Administrator of General Services shall establish a single coordinating office for aircraft management. The responsibilities of this office shall include, but not be limited to, the following: (1) coordinating the development of effectiveness measures and standards, policy recommendations, and guidance for the procurement, operation, safety, and disposal of civilian agency aircraft; (2) operating a government-wide aircraft management information system; (3) identifying and advising agencies and OMB of opportunities to share, transfer, or dispose of underutilized aircraft; to reduce excessive aircraft operations and maintenance costs; and to replace obsolete aircraft; and (4) providing technical assistance to agencies in establishing their own automated aircraft information systems and conducting the cost analyses required by this Circular.

In order to carry out these responsibilities, the Administrator of General Services shall establish an interagency aviation policy working group to advise him in developing or changing aircraft policies and information requirements.

ACCOUNTING FOR AIRCRAFT COSTS

The costs associated with agency aircraft programs must be accumulated to: (1) justify the use of government aircraft in lieu of commercially available aircraft, or the use of one government aircraft in lieu of another; (2) recover the costs of operating government aircraft when these aircraft are funded from a revolving fund or used to serve other agencies or non-official travelers; (3) determine the cost effectiveness of various aspects of agency aircraft programs; and (4) conduct the cost comparisons required by OMB Circular No. A-76 to justify in-house operation of government aircraft versus procurement of commercially available aircraft services. To accomplish these purposes, agencies must accumulate their aircraft program costs into the Standard Aircraft Program Cost Elements defined in Attachment B. The relationship of the Standard Aircraft Program Cost Elements to the four purposes of accumulating these costs is shown by Exhibit 1. The remainder of this Attachment presents detailed guidance for accomplishing each of these purposes.

Justify Use of Aircraft

To make the cost comparisons necessary to justify the use of a government aircraft, the agency must compare the variable cost it will incur from using that aircraft to the cost of using a commercial aircraft or airline service. The variable cost of using a government aircraft is either: (a) the amount that the agency will be charged by the organization that provides the aircraft, or (b) if the agency operates its own aircraft, a variable cost or usage rate computed for the aircraft as follows:

1. Accumulate or allocate to the aircraft all historical costs grouped under the variable cost category defined in Attachment B. These costs should be obtained from the agency's accounting system.
2. Add to the historical variable costs an estimate of annual accident repair costs. This amount may either be the average of the accident repair costs over the past few years or an estimated amount established as an annual self-insurance reserve.
3. Adjust the historical variable costs from Step 2 for inflation and for any known upcoming cost changes to project the new variable cost total. The inflation factor used should conform to OMB Circular No. A-11.

ATTACHMENT A
Circular No. A-126
Page 3 of 5

4. Allocate operations and administrative overhead costs to the aircraft based on the percentage of total aircraft program flying hours attributable to that aircraft.
5. Compute a fixed cost recovery rate for the aircraft by dividing the sum of the projected directly attributable fixed costs (from Step 3) and the allocated fixed costs (from Step 4) by the annual flying hours projected for the aircraft.

The variable cost recovery rate for an aircraft is the same as the variable cost or usage rate described under the previous paragraph "Justify Use of Aircraft." If an agency decides to base the charge for using its aircraft solely on this rate, it must recover the fixed costs of those aircraft separately from the appropriation which supports the mission for which the procurement of the aircraft was justified. In such cases, the fixed cost recovery rate may be expressed on an annual, monthly or flying hour basis.

Determine Aircraft Program Cost Effectiveness

Although cost data are not the only measures of the effectiveness of an agency's aircraft program, they can be very useful in identifying opportunities to reduce aircraft operational costs. These opportunities might include changing maintenance practices, purchasing fuel at lower costs, and the replacement of old, inefficient aircraft with aircraft that are more fuel efficient and have lower operations and maintenance costs.

The most common measures used to evaluate the cost effectiveness of various aspects of an aircraft program are expressed as the cost per flying hour or per passenger mile for certain types of aircraft costs. These measures may be developed using the Standard Aircraft Cost Elements and include, but are not limited to: maintenance costs/flying hour, fuel and other fluids cost/flying hour, accident repair costs/flying hour (or per aircraft), and variable cost/passenger mile. The Administrator of General Services should coordinate the development of specific cost effectiveness measures with an interagency aircraft policy working group.

ATTACHMENT A
Circular No. A-126
Page 5 of 5

Fortunately, the different object classes associated with the costs grouped into the standard aircraft program cost elements are sufficient to break out these costs for A-76 purposes. Also, many costs used in the A-76 cost comparison must be developed from analysis of current operations and cannot be pulled directly from agency accounting records. Therefore, no special accounting categories other than the standard aircraft program cost elements are necessary to support A-76 cost comparisons.

**Appendix III
OMB Circular A-126, "Improving the
Management and Use of Government
Aircraft," as Revised January 18, 1989**

ATTACHMENT A
Circular No. A-126
Exhibit 1
Page 2 of 3

USE OF STANDARD AIRCRAFT PROGRAM COST ELEMENTS
BY PURPOSE

<u>Aircraft Program Cost Elements and Subelements</u>		<u>Object Classes</u>	<u>Fixed or Variable (F or V)</u>	<u>Justify Use of Aircraft</u>	<u>Recover Cost of Operation</u>	<u>Purpose</u>	
<u>Standard Cost Elements</u>	<u>A-76 Cost Subelements</u>					<u>Determine Program Cost Effectiveness</u>	<u>Justify In-House Operation (per OMB Circular No. A-76)(1)</u>
Variable Costs contd.:							
4.	Fuel and other fluids	26	V			X	Materials and supply costs
5.	Aircraft lease or rent variable	25	V				Other specifically attributable costs - rent
6.	Landing and tie down fees	25	V				Other specifically attributable costs - other costs
Fixed Costs:							
7.	Crew costs - fixed		F			X	
	Crew - salaries and wages	11.1	F				Personnel costs
	Crew - benefits	12	F				Personnel costs (2) Other specifically attributable costs - other costs
	Crew - training	25	F				
	Crew - charts, personnel protective equipment, etc.	26	F				Materials and supply costs
8.	Maintenance costs - fixed		F			X	
	Maintenance - salaries and wages (incl. overtime)	11	F				Personnel costs
	Maintenance - benefits	12	F				Personnel costs (2) Other specifically attributable costs - other costs
	Maintenance - training	25	F				

STANDARD AIRCRAFT PROGRAM COST ELEMENT DEFINITIONS

VARIABLE COSTS

The variable costs of operating aircraft are those costs that vary depending on how much the aircraft are used. The specific variable cost elements include:

Crew costs-variable - The crew costs which vary according to aircraft usage are travel costs (particularly reimbursement of subsistence, i.e., per diem and miscellaneous expenses), overtime charges, and wages of crew members hired on an hourly or part-time basis.

Maintenance costs-variable - Unscheduled maintenance and maintenance scheduled on the basis of flying time vary with aircraft usage and, therefore, the associated costs are considered variable costs. If they wish, agencies may consider all of their maintenance costs as variable costs and account for them accordingly. Otherwise, certain maintenance costs will be considered fixed as described in a subsequent paragraph. Variable maintenance costs include the costs of:

- all labor hours by mechanics and inspectors associated with maintenance on airframes, engines, avionics and other aircraft equipment that is unscheduled, scheduled on a flying hour basis, or based on the condition of the part or component. (This does not include maintenance scheduled on a calendar interval basis, maintenance performed by aircraft crew members, or work on items having a TBO, ie. time before overhaul, or retirement life.)
- all employee benefits associated with variable maintenance labor and travel costs for maintenance personnel. Agencies which define all their maintenance costs as variable costs would also include training costs for maintenance personnel.
- all parts and materials, whether or not directly identifiable to specific aircraft, used in maintenance on airframes, engines, avionics and other aircraft equipment that is unscheduled, scheduled on a flying hour basis, or based on the condition of the part

FIXED COSTS

The fixed costs of operating aircraft are those that result from owning and support the aircraft and that do not vary according to aircraft usage. The specific fixed cost elements include:

Crew costs-fixed - Since full-time pilots and other full-time crew members are paid whether or not the aircraft are flown, their salaries, benefits and training costs and considered to be fixed costs. This includes the salaries, benefits and training costs of crew members who also perform aircraft maintenance. Also included in these fixed crew costs are the costs of their charts, personal protective equipment, uniforms, and other personal equipment.

Maintenance costs-fixed - Certain maintenance and inspection activities are scheduled on a calendar interval basis and take place regardless of whether or how much the aircraft are flown. If they wish, agencies may account for the related costs as fixed costs. Fixed maintenance costs include the costs of:

- all labor hours by mechanics and inspectors associated with maintenance on airframes, engines, avionics and other aircraft equipment that is scheduled on a calendar basis. (This does not include variable maintenance labor or work on items having TBO, ie. time before overhaul, or retirement life.)
- all employee benefits associated with fixed maintenance labor and training costs for maintenance personnel.
- all parts and materials, whether or not directly identifiable to specific aircraft, use in maintenance on airframes, engines, avionics and other aircraft equipment that is scheduled on a calendar basis. (This does not include variable maintenance labor or work on items having a TBO or retirement life.)
- all contracted costs for maintenance or inspections scheduled on a calendar basis.

OMB Memorandum to Agencies Dated November 15, 1988, Directing A-76 Cost Analyses on All Government Aircraft



M-89-03

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 15, 1988

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM:

Joseph P. Wright, Jr.
Director

Chairman, President's Council on Integrity
and Efficiency

SUBJECT:

A-76 Cost Analysis of Departmental Airplanes
by July 31, 1989

In 1983, Office of Management and Budget (OMB) Circular A-126, "Improving the Management and Use of Government Aircraft," was issued in response to investigations by the General Accounting Office (GAO) and several Inspectors General (IG) which uncovered instances of inappropriate and inefficient use of government-owned aircraft to carry passengers and cargo when less expensive commercial alternatives were available.

Over the past eight months, Congress has held several hearings on GAO and agency IG reports that agencies have continued to misuse government airplanes. Indeed, the GAO and IG reports document several cases where a cost analysis was performed showing a commercial alternative to be more cost effective than buying or using a government airplane, yet departmental management proceeded with the more expensive government alternative. The reports also stated that the cost benefit analysis required by OMB Circular No. A-126 is often not performed.

In September, I was asked to testify on OMB's policies on airplane acquisition and use and OMB will be asked to testify again early next year on what steps it has taken to improve the management of this area. We will also make periodic progress reports before then.

In response to these findings and the Congressional concerns, it will be necessary for departments and agencies to complete OMB Circular No. A-76 cost analyses on all owned or leased aircraft not later than July 31, 1989. To facilitate this effort, I have directed my staff to develop immediately a supplement to A-126 that will address (1) any confusion over the definition of "mission" and "administrative use" aircraft and (2) the need for cost accounting standards for documenting aircraft costs. We will issue this supplement by the end of the year.

OMB Memorandum to Agencies Dated April 25, 1989, Reiterating the Aircraft A-76 Cost Analyses Requirement



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

M-89-18

April 25, 1989

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Frank Hodsoll *Frank Hodsoll*
Executive Associate Director

SUBJECT: A Reminder of the Required A-76 Cost Analysis
of Departmental Airplanes Due July 31, 1989

The purpose of this memorandum is to reiterate the aircraft review requirements established by former OMB Director Wright's November 15, 1988, memorandum to department heads. As you may know, Congress is likely to hold hearings this spring on our progress in improving management of aircraft operations. I urge you to meet the requirements of the program as soon as possible.

The General Accounting Office and departmental inspectors general have reported on misuse of government airplanes. In response to these reports and subsequent Congressional concern, OMB has rewritten OMB Circular No. A-126 (Improving the Management and Use of Government Aircraft). The revision eliminated the confusion over the definition of "mission" and "administrative use" aircraft and defined cost accounting standards for documenting aircraft costs. A copy of the revised Circular is attached for your information.

In his November letter, Director Wright asked that aircraft operations be included in commercial activities inventories and scheduled for A-76 cost comparisons. Please make sure that your department or agency has complied with this request by including the information in the A-76 tracking system. The OMB Circular No. A-76 cost analyses on all owned or leased aircraft are to be completed not later than July 31, 1989.

Given the Congressional and Administration interest in this subject, I would greatly appreciate your swift response to this request.

Attachment

Requests for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877**

Telephone 202-275-6241

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Appendix IV
OMB Memorandum to Agencies Dated
November 15, 1988, Directing A-76 Cost
Analyses on All Government Aircraft

2

Circular A-126 requires an A-76 cost analysis to justify the acquisition of aircraft. A-126 also requires a yearly A-76 cost analysis be performed to justify (1) the continuing need for each aircraft that can carry passengers and cargo and (2) the cost effectiveness of in-house provision of aircraft support services. These cost analyses are to be submitted to OMB for review with the annual budget submission. To date, few departments and agencies have adhered to this requirement.

Beginning this year, we are asking that annual A-76 cost analyses of departmental airplanes be included on your inventory and schedule of commercial activities required by Executive Order 12615 and that the milestones of these analyses be included in the A-76 tracking system. The A-76 analyses of your current aircraft and aircraft operations are to be completed by July 31, 1989, because we need sufficient time for review before entering into budget discussions. This means that your privatization official will have to revise your department's/agency's A-76 inventory to include your aircraft and aircraft operations studies and submit the revision to the Office of Federal Procurement Policy by November 30, 1988.

Thank you for your cooperation -- if I or my staff can be of assistance please let me know.

ATTACHMENT B
Circular No. A-126
Page 4 of 4

Aircraft lease-fixed - When aircraft are leased on an annual basis, the associated leased costs are considered fixed costs.

Operations overhead - These include all costs, not accounted for elsewhere, associated with direct management and support of the aircraft program. Examples of such costs include: personnel costs (salaries, benefits, travel, uniform allowances, training, etc.) for management and administrative personnel directly responsible for the aircraft program; unallocated maintenance personnel costs; miscellaneous parts and materials not otherwise allocated to the maintenance or overhaul cost elements; building and ground maintenance; janitorial services; lease or rent costs for hangers and administrative buildings and office space; communications and utilities costs; office supplies and equipment; maintenance and depreciation of support equipment; tie down fees for aircraft located on base; and miscellaneous operational support costs.

Administrative overhead - These costs represent a pro-rated share of salaries, office supplies and other expenses of fiscal, accounting, personnel, management, and similar common services performed outside and the aircraft program but which support this program. For purposes of recovering the costs of operation, agencies should exercise their own judgement as to the extent to which aircraft users should bear the administrative overhead costs. Agencies may, for example, decide to charge non-agency users a higher proportion of administrative overhead than agency users. For purposes of A-76 cost comparisons, agencies should compute the actual administrative costs that would be avoided if a decision is made to contract out the operation under study.

OTHER COSTS

There are certain other costs of the aircraft program which are not appropriate for inclusion in either the variable or fixed cost categories for the purposes of justifying aircraft use or recovering the cost of aircraft operations. These costs include:

Accident repair costs - These costs include all parts, materials, equipment and maintenance labor related to repairing accidental damage to airframes or aircraft equipment. Also included are all accident investigation costs.

Aircraft costs - This is the basic aircraft inventory or asset account used as the basis for determine aircraft depreciation charges. These costs include the cost of acquiring air craft and accessories, including transportation and initial installation. Also included are all costs required to bring aircraft and capitalized accessories up to fleet standards.

or component. (This does not include maintenance scheduled on a calendar basis or work on items having a TBO or retirement life.)

- all contracted costs for unscheduled maintenance and maintenance scheduled on a flying hour basis or based on the condition of the part or component.

Overhaul costs - Although similar to variable maintenance costs in that they vary according to aircraft usage, overhaul costs increase the operating life of the aircraft and, in some cases, the capital investment in the aircraft. Hence, these costs may affect the capitalized costs and depreciation costs and must be accounted for separately. Included in overhaul costs are:

- all labor hours by mechanics and inspectors associated with the removal, replacement, rebuilding and/or overhauling of major parts or components of engines or airframes that have reached their retirement lives, for which their TBO (time before overhaul) has elapsed, or which have failed prematurely before the known TBO or retirement life.
- all related employee benefits and travel costs.
- all related parts and materials.
- all contracted overhaul costs.

Fuel and other fluids - The costs of the aviation gasoline, jet fuel, and other fluids (eg. engine oil, hydraulic fluids and water-methanol) consumed by aircraft vary according to aircraft usage.

Aircraft lease or rent-variable - When aircraft are obtained on an hourly or monthly basis, the associated lease or rental costs are considered variable costs.

Landing and tie down fees - Landing fees and tie down fees associated with aircraft usage are considered variable costs. Tie down fees for storing an aircraft at its base of operations should be considered part of operations overhead, a fixed cost.

Appendix III
 OMB Circular A-126, "Improving the
 Management and Use of Government
 Aircraft," as Revised January 18, 1989

ATTACHMENT A
 Circular No. A-126
 Exhibit 1
 Page 3 of 3

USE OF STANDARD AIRCRAFT PROGRAM COST ELEMENTS
 BY PURPOSE

Aircraft Program Cost Elements and Subelements		Object Classes	Fixed or Variable (F or V)	Justify Use of Aircraft	Recover Cost of Operation	Purpose	
Standard Cost Elements	A-76 Cost Subelements					Determine Program Cost Effectiveness	Justify In-House Operation (per OMB Circular No. A-76)(1)
Fixed Costs contd.:							
	Maintenance - parts and materials	26	F				Materials and supply costs
	Maintenance - commercially procured services	25	F				Other specifically attributable costs - maintenance and repair
9.	Aircraft lease - fixed	25	F				Other specifically attributable costs - rent
10.	Operations overhead	11,12,23, 24,32	F			X	Overhead costs - operations overhead
11.	Administrative overhead	11,12,23, 24,25,26, 32	F			X	Overhead costs - GSA overhead(4)
<u>Other Costs:</u>							
12.	Accident repair costs	11,12,25, 26,30	V			X	Not applicable (5)
13.	Aircraft costs		F				Other specifically attributable costs - depreciation (6)

Notes:

- (1) Listed in this column are the cost categories required for an A-76 cost comparison.
- (2) Personnel benefits are computed according to OMB Circular No. A-76, Supplement No. 1, Cost Comparison Handbook.
- (3) These costs are included among the variable costs by agencies which define all maintenance costs as variable costs. Otherwise, they are only included under fixed maintenance costs.
- (4) For A-76 purposes, agencies should compute the actual administrative costs that would be avoided if a decision is made to contract out the operation under study.
- (5) Self-insurance costs for A-76 purposes are not based on actual accident repair costs but are computed according to OMB Circular No. A-76, Supplement No. 1, Cost Comparison Handbook.
- (6) Aircraft costs are used in the depreciation computation described in OMB Circular No. A-76, Supplement No. 1, Cost Comparison Handbook.

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Standard Cost Elements	A-76 Cost Subelements						
Variable Costs:				X	X		
1. Crew costs - variable			V				
	Crew - travel	21	V				Other specifically attributable costs - travel
	Crew - overtime	11,5	V				Personnel costs
	Crew - part-time wages	11,3	V				Personnel costs
2. Maintenance costs - variable			V			X	
	Maintenance - salaries and wages (incl. overtime)	11	V				Personnel costs
	Maintenance - benefits	12	V				Personnel costs (2)
	Maintenance - travel	21	V				Other specifically attributable costs - travel
	Maintenance - training	25	V				Other specifically attributable costs - other costs (3)
	Maintenance - parts and materials	26	V				Materials and supply costs
	Maintenance - commercially procured services	25	V				Other specifically attributable costs - maintenance and repair
3. Overhaul costs			V			X	
	Overhaul - salaries and wages (incl. overtime)	11	V				Personnel costs
	Overhaul - benefits	12	V				Personnel costs (2)
	Overhaul - travel	21	V				Other specifically attributable costs - travel
	Overhaul - parts and materials	26,30	V				Materials and supply costs
	Overhaul - commercially procured systems	25	V				Other specifically attributable cost - maintenance and repair

Justify In-House Operation

OMB Circular No. A-76, "Performance of Commercial Activities," requires Federal agencies to conduct cost comparisons of commercial activities they operate and, where appropriate, to determine the most economical way to perform the work -- whether by private commercial source or using in-house government resources. The guidelines for conducting these cost comparisons are presented in the Cost Comparison Handbook (Part IV of Supplement No. 1 to the Circular). These guidelines require the in-house costs of operating the activity to be presented in the following manner:

- Personnel costs
- Materials and supply costs
- Other specifically attributable costs
 - depreciation
 - rent
 - maintenance and repair
 - insurance
 - utilities
 - travel
 - other costs.
- Additional costs

Definitions of these costs are given in the Cost Comparison Handbook.

Exhibit 1 displays the relationship between the standard aircraft program cost elements and the A-76 cost categories and shows that the following aircraft cost elements must be subdivided in order to conform to the A-76 categories:

- Crew costs-fixed
- Crew costs-variable
- Maintenance costs - fixed
- Maintenance costs - variable
- Overhaul costs

4. Divide the total projected variable costs of the aircraft by the projected annual flying hours for the aircraft to compute the projected variable cost or usage rate (per flying hour).

Recover Cost of Operation

Agencies must recover the costs of operating all aircraft used to serve other agencies or which are funded, in whole or in part, out of a working capital or revolving fund. Under certain circumstances, non-official travelers who are transported on government aircraft must reimburse the agency which owns or operates the aircraft for that transportation. Depending on the statutory authorities under which its aircraft were obtained or are operated, agencies may use either of two methods for establishing the rates charged for using their aircraft: (1) the full cost recovery rate or (2), the variable cost recovery rate.

The full cost recovery rate for an aircraft is the sum of the variable and fixed cost rates for that aircraft. The computation of the variable cost rate for an aircraft is described under the previous paragraph "Justify Use of Aircraft." Variable costs for similar make and model aircraft may be averaged or the purpose of determining the variable cost rate. The fixed cost rate for an aircraft is computed as follows:

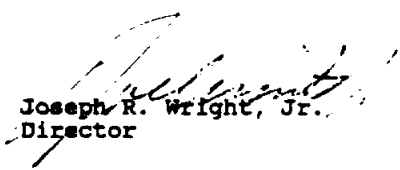
1. Accumulate the fixed costs listed in Attachment B that are directly attributable to the aircraft (e.g. crew costs-fixed, maintenance costs-fixed, and aircraft lease-fixed).
2. Add to the historical fixed costs an amount representing the annual depreciation or replacement costs. Although these costs are not direct outlays in the sense of most other aircraft costs, it is important to recognize them for A-76 cost comparison purposes and when replenishing a working capital fund by recovering the full cost of aircraft operations. Depreciation costs depend on aircraft acquisition or replacement costs, useful life, and residual or salvage value.
3. Adjust the historical fixed costs from Step 2 for inflation and for any known upcoming cost changes to project the new fixed cost total. The inflation factor used should conform to OMB Circular No. A-11.

- d. Except for provisions of this Circular which specify their own implementation dates, each agency head shall issue internal agency directives to implement this Circular no later than 120 days from the date of the Circular. These internal agency directives must include all policies contained in this Circular, but may also contain additional policies unique to the agency. Responsibility for these policies shall be assigned to a senior management official who has the agency-wide authority and resources to implement them.

8. Accounting for Aircraft Costs. Agencies must maintain systems for their aircraft operations which will permit them to: (1) justify the use of government aircraft in lieu of commercially available aircraft, or the use of one government aircraft in lieu of another; (2) recover the costs of operating government aircraft when appropriate; (3) determine the cost effectiveness of various aspects of their aircraft programs; and (4) conduct the cost comparisons required by OMB Circular A-76 to justify in-house operation of government aircraft versus procurement of commercially available aircraft services. Although agency accounting systems do not have to be uniform in their design or operation to comply with this Circular, they must accumulate costs which can be summarized into the standard Aircraft Program Cost Elements defined in Attachment B. The use of these cost elements to account for aircraft costs for the four purposes described previously is discussed in Attachment A.

9. Effective Date. This Circular is effective on publication.

10. Information Contact. All questions or inquiries should be addressed to the Government Operations Division, Office of Management and Budget, telephone number (202) 395-5090.


Joseph R. Wright, Jr.
Director

Attachments

official government passengers, and others whose transportation on these aircraft is permitted by statute or an official agency directive or policy.

- c. Types of aircraft used - Wherever possible, agencies shall use their most cost effective aircraft to meet their aircraft needs. Exceptions to this usage shall be documented and available for audit.
- d. Approval - Only an agency head or officials designated by the agency head may approve the use of agency aircraft to transport passengers and/or cargo.
- e. Justification - Each use of an agency-owned or operated aircraft to transport passengers and/or cargo must be justified and documented. Agencies may justify the use of aircraft to transport passengers and/or cargo if any of the following criteria are met:
 - (1) The aircraft was scheduled to perform a bona fide mission or training activity, and the minimum mission or training requirements have not been exceeded.
 - (2) Failure to use the aircraft to carry passengers and/or cargo would result in the failure to meet the minimum mission or training requirements.
 - (3) No commercial airline or aircraft service was reasonably available to fulfill effectively the transportation requirement.
 - (4) The variable cost of using a government-operated aircraft (as defined in Attachment A) is not more than the cost of using commercial airline or aircraft service. The cost of using commercial airline or aircraft service includes the costs of any additional travel and lost employees' work time (computed at gross hourly costs to the government, including benefits). When the flight is being made to meet a mission or training requirement, secondary use of the flight for transportation would in effect be a cost savings and cost comparisons would not be appropriate.

7. Responsibilities.

- a. All executive branch officials with statutory authority to procure aircraft will assure that:

OMB Circular A-126, "Improving the Management and Use of Government Aircraft," as Revised January 18, 1989



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

January 18, 1989

CIRCULAR A-126
(Revised)

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Improving the Management and Use of Government Aircraft

1. **Purpose.** This Circular is being issued to improve the management of government aviation resources and to assure that agencies rely on commercial airline or aircraft services to meet their aircraft support needs, where possible and cost effective. It prescribes policies to be followed by executive agencies in acquiring, managing, using, accounting for the costs of, and disposing of aircraft. It also establishes a role for the General Services Administration in this area.
2. **Authority.** This Circular is issued under the authority of the Budget and Accounting Act of 1921, as amended; the Budget and Accounting Procedures Act of 1950, as amended; Reorganization Plan No. 2 of 1970; Executive Order 11541; and 31 U.S.C. 1344.
3. **Background.** Since the first issuance of this Circular in 1983, reports by the General Accounting Office and by agency Inspectors General have continued to indicate the need to improve the management of government-owned and leased aircraft. Specific attention has been drawn to agencies' failure to comply with the guidance provided in this Circular and in OMB Circular No. A-76, as applied to the acquisition and continued operation of aircraft. The Office of Management and Budget has concluded that the government-wide policy guidance in this area should be revised to emphasize the importance of agency compliance, improve compliance by establishing stronger linkages to the budget process and by requiring internal control reviews, remove ambiguities in the previous Circular, provide aircraft cost standards, and strengthen the relationship to OMB Circular No. A-76.
4. **Scope and Coverage.** This Circular applies to all government-owned, leased, chartered and rental aircraft and related services operated by Federal executive branch agencies.

FAA Aircraft and Pilot Resources Not Effectively Managed

In a June 19, 1989, audit report on FAA's requirements for, and utilization of, aircraft, DOT's IG reported that FAA had not fully implemented established program policy to ensure that flights as well as pilot participants were justified on the basis of job and program requirements. The IG estimated that improved management of FAA's aircraft program could save \$5.2 million: \$1,213,020 in unnecessary and noncritical pilot currency and air traffic control system evaluation flights, \$164,487 in excess costs from utilizing FAA-owned aircraft rather than commercial airlines for administrative travel, and \$3,827,512 in unneeded contracts for flight training and rental aircraft.

The IG reported that about 50 percent of the flights made for the primary purpose of pilot currency or evaluation of the national airspace system were questionable because pilots were (1) flying in excess of minimum currency training requirements, (2) taking unsupported evaluation flights, and (3) flying without a job-related requirement. The IG estimated that \$1.2 million could have been more effectively utilized in providing necessary currency flight hours to pilots with a critical job-related requirement to fly. Further, the IG said that flight-hour requirements for each pilot were not matched with available resources and, consequently, that 61 percent of all pilots had not flown enough hours to meet the minimum flight-hour requirements.

On flights of FAA aircraft made for the primary purpose of transporting FAA officials, the IG reported that OMB policies and DOT and FAA regulations governing the use of aircraft were not followed. According to the IG, the required approvals, justifications, and cost comparisons were either not prepared or were prepared after the transportation flights were taken. As a result of not using more cost-effective commercial transportation, the IG estimated that FAA incurred excess costs of about \$164,000.

FAA concurred with 13 of the IG's 20 recommendations. FAA's proposed corrective actions generally were to address the recommended actions in its planned in-depth review of aircraft management. The IG said that such an in-depth review would be responsive to the recommendations if there were no policies and procedures in place to provide for an effective program. According to the IG, however, in most cases the policies are clear. As a result, FAA needs to comply with established requirements, and further study is not needed. Consequently, the IG asked the FAA Administrator to reconsider the planned corrective actions on 19 of the 20 recommendations and to provide the agency's position on the potential cost savings of \$5.2 million.

to increase utilization of the Corps' aircraft. Army components were making only limited use of the aircraft because the costs had to be reimbursed. The Army is considering a plan to permanently transfer, at no cost, the Corps' Gulfstream II from the civil works revolving fund to the Army. Such a transfer would require congressional approval.

Three Coast Guard Field Locations Not Justifying Air Travel

In an April 1986 audit report on the Coast Guard's accounting for aircraft costs, DOT's IG reported that the Coast Guard Aviation Training Center's cost comparisons to justify administrative use of its own aircraft were biased because they did not include maintenance costs. The IG recommended that the cost comparisons include variable aircraft costs; the Coast Guard disagreed. It believes that variable costs, such as maintenance, should not be considered in the cost comparisons because the aircraft are mission-related.

In July 1987, the IG reported that the former Twelfth Coast Guard District used its aircraft for administrative travel when less costly transportation was available either because the Coast Guard did not always make the required cost comparisons to justify that usage or because its cost comparisons were inaccurate. The IG recommended that the Coast Guard make realistic cost comparisons to justify all administrative flights as required by OMB's Circular A-126, and officials promised to implement that recommendation. In March 1987, DOT's IG reported that several flights of Coast Guard aircraft based at Corpus Christi, Texas, were questionable because they appeared to have been made primarily for personal or recreational purposes. The flight records indicated that the primary purpose of those flights was to accomplish aircraft crew training. The IG recommended that the Coast Guard develop a quarterly plan for all training flights that identifies the dates, passengers, destination of flights, and type of training. Such a plan could establish and document a legitimate mission purpose for each flight.

Forest Service Did Not Justify Aircraft Acquisition

In February 1988, the Department of Agriculture's IG reported that the U.S. Forest Service's aircraft procurement process was flawed, since the Service had not adequately considered commercially available services before purchasing its own aircraft. Also, the IG found no evidence that the Service made the recurring cost-effectiveness reviews of its aircraft operations as required by OMB Circular A-126. Since 1983, the Forest Service had purchased 2 aircraft (in addition to the 19 it already owned) at a cost of over \$4 million and obtained another from the federal surplus property inventory. However, the Service had not made A-76 cost

The IG estimated that by not selecting the most economical and cost-effective alternative to acquiring additional aircraft, BPA could incur unnecessary costs of at least \$157,900 annually, or about \$1.57 million over the estimated 10-year remaining life of the plane. The IG recognized that BPA had a legitimate need for some kind of fixed-wing air service for occasional trips, but concluded that the agency should make full use of scheduled commercial airlines and charter air services. In its formal response to the audit, BPA agreed with the IG's recommendations and said that it would not procure any additional aircraft until it had fully analyzed its needs.

Less than a year later, however, according to the IG, BPA again was acquiring aircraft without the proper cost analyses and without consideration of alternatives. In February 1986, the IG reported that a BPA contract to purchase a fixed-wing aircraft did not demonstrate valid mission requirements or adequately support the agency's decision to acquire a new aircraft over the less costly option of overhauling an existing aircraft. The IG pointed out that 75 percent of all flights made by BPA's fixed-wing aircraft during fiscal year 1985 were to locations served by commercial air carriers. The IG recommended that BPA terminate its contract for the replacement aircraft.

In December 1987, the IG reported inconsistencies in DOE's classification of aircraft flights as administrative or mission-related. For example, BPA classified most of its passenger flights as mission-related and its passenger aircraft as mission aircraft. BPA did not make flight-by-flight cost comparisons to justify administrative use as required by OMB Circular A-126, even though most of its passenger flights were made to locations served by commercial airlines. WAPA, too, had classified most of its passenger flights as mission flights, but it made the flight-by-flight cost comparisons required by A-126. However, WAPA frequently disregarded them even when they showed that commercial flights were cheaper.

The IG recommended that DOE revise its regulations to clarify the difference between administrative and mission flights and take other actions to improve its aircraft management. While DOE agreed to revise its implementation regulations to ensure that its aircraft practices were cost-effective, it said that the heads of its field offices needed the flexibility to determine their specific mission requirements.

In an October 1988 report addressing air transportation of weapons complex passengers between Albuquerque and Los Alamos, DOE's IG reported that more air service was being provided than was required to

**Appendix I
Our Follow-Up Work on Selected Agencies'
Management and Use of
Administrative Aircraft**

that a division director or higher TVA official was a passenger on that flight.

In June 1988, as part of an announced reorganization and cost-reduction effort, TVA decided to eliminate its in-house passenger transportation services effective October 1, 1988. TVA estimated that it was spending about \$2.5 million annually on its in-house passenger aircraft operations. Although its analyses showed some continued savings from the passenger shuttle operations, TVA decided to discontinue those operations because of expected reductions in TVA travel requirements associated with the reorganization and cost-reduction efforts.

As of January 1989, TVA had terminated its lease on the King Air, was exploring an intergovernmental transfer or sale of its Gulfstream, and was studying the viability of converting its owned King Air to special purpose mission use.

it had used the Gulfstream III on three occasions to respond to requests from the National Transportation Safety Board to transport accident investigation team members to aircraft accident sites in the United States and overseas.

According to FAA's March 15, 1989, report to the House and Senate Committees on Appropriations, the agency would comply with the cost comparison guidelines required by OMB Circular A-126 and make a cost-benefit analysis to evaluate the future use of the Gulfstream III before making a decision about whether to continue the lease or to purchase a new Gulfstream IV.

Subsequent to this reporting, FAA amended the existing lease-purchase contract with Gulfstream on May 22, 1989, to replace the leased Gulfstream II with a new leased Gulfstream IV at a total cost increase not to exceed \$2.2 million for the lease contract period through October 31, 1989. The contract modification allowed FAA and Gulfstream 90 days to agree on the final price, terms, and conditions of this revised lease and continued FAA's option to purchase a new Gulfstream IV. FAA took delivery of the new leased Gulfstream IV on May 28, 1989. As of July 27, 1989, FAA was still negotiating the details of the revised lease with Gulfstream and studying its option to purchase a Gulfstream IV.

Besides replacing the Jetstar, FAA recently spent \$60 million to acquire 19 new Beechcraft Super King Air 300 turboprops for its flight inspection program. According to FAA, these new turboprops were needed to replace aging, fuel-inefficient aircraft. However, the agency did not make an A-76 cost study to justify the need for, or cost-effectiveness of, those replacement aircraft.

In connection with our work on FAA's use of certain aircraft models, we noted that many of the flights in the 12-month period that ended June 30, 1987, were used secondarily, on a space-available basis, for administrative travel. Several of these flights were piloted by the FAA Administrator, and his spouse frequently accompanied him on those flights.

TVA Decided to Rely on Commercial Air Services

Some aspects of TVA's administrative aircraft program we reviewed in fiscal year 1988 were not cost-effective. TVA subsequently decided, as part of its efforts to hold down its operating costs, to curtail its in-house air passenger services. Effective October 1988, TVA began relying exclusively on commercial air services to satisfy its passenger travel requirements.

1987 flight hours (excluding training and maintenance) were categorized as administrative travel; about 30 percent were categorized as mission-related and appeared to be so. We noted that this aircraft, which the Coast Guard said would be used for operations, has no rescue capability and only limited search capability. We also noted that the Coast Guard flight crew frequently flew the Gulfstream I empty from Elizabeth City to Washington and back to its Elizabeth City base after it had been used to satisfy a Coast Guard travel requirement. Such practices are costly.

The Coast Guard had not made Circular A-76 cost studies to justify ownership of those aircraft and only partially complied with the Circular A-126 requirement to justify administrative use. The Coast Guard made flight-by-flight cost comparisons for its flights of the two aircraft that it categorized as administrative travel, but used only fuel and crew per diem costs and considered only regularly scheduled commercial airlines as an alternative. It did not consider leased or chartered aircraft or existing military flights. Thus the cost comparisons generally showed that the flights were cost-effective compared to regularly scheduled commercial airlines. But even when it indicated that their use was not cost-effective, administrative aircraft were still used. We noted that including in the cost comparisons all the variable costs as outlined in Circular A-126—not just fuel and crew per diem—would likely produce different results. If the comparisons included the official Coast Guard cost-reimbursable rates, which represent the full costs (fixed and variable) of operating those aircraft (\$3,388 per hour for the Gulfstream II and \$2,289 per hour for the Gulfstream I), none of the flights would have been cost-effective.

Despite tighter restrictions on the travel of dependents and other nonofficial passengers, spouses continued to accompany Coast Guard and DOT officials on domestic as well as overseas trips on Coast Guard aircraft. On the basis of the official flight records and supplemental information sought and received from the Coast Guard, we were unable to determine whether this nonofficial travel was justified or was in the government's best interests. However, it was not consistent with the corrective actions DOT promised in 1983.

Our Follow-Up Work on Selected Agencies' Management and Use of Administrative Aircraft

At a September 28, 1988, oversight hearing by the House Government Operations Subcommittee on Environment, Energy, and Natural Resources on government civilian aircraft, we testified on the results of our 1987 and 1988 follow-up work on civilian agencies' use of certain aircraft models, Justice's use of aircraft to meet the Attorney General's needs, Coast Guard's use of its two command/administrative aircraft, FAA's acquisition of several new aircraft, and TVA's administrative aircraft program. These findings are summarized below.

Limited Work on Agencies' Use of Certain Aircraft Models

In an August 1, 1988, briefing report to the Chairman of the House Government Operations Subcommittee on Government Information, Justice, and Agriculture, we reported on agencies' use of Beechcraft King Air, Cessna Citation, Piper Cheyenne, and certain other aircraft models to transport passengers.¹ Our work was limited to examining flight and other administrative records for 47 aircraft operated by seven cabinet-level departments and two independent agencies. It was not of sufficient scope to permit us to draw conclusions about the appropriateness or cost-effectiveness of the current use of those aircraft.

Nevertheless, we determined that 18 of the 47 aircraft were regularly used for passenger transportation during the 12-month period that ended June 30, 1987. Of those 18 aircraft, 10—5 operated by DOE agencies, 3 operated by NASA, 1 operated by the Coast Guard, and 1 operated by the FBI—were used primarily for passenger transportation ranging from 70 to 93 percent of total flight hours. The remaining eight were used primarily for special purpose missions, such as evaluating aviation equipment and services and maintaining the flight proficiency and currency of pilots. However, all eight of these "mission" aircraft were used secondarily, on a space-available basis, for passenger transportation. This usage ranged from 9 to 69 percent of the flights. Although not conclusive, our work suggested that agencies were not following the intent of OMB Circulars A-76 and A-126 on the acquisition, justification, and use of government aircraft.

¹Civil Agency Aircraft: Agencies' Use of Certain Aircraft to Transport Passengers (GAO/GGD-88-92BR, Aug. 1, 1988).

as leverage to ensure that the required studies are made and that agencies justify that their aircraft are needed and cost-effective. Once agencies have completed the special A-76 cost studies, OMB should reevaluate the adequacy of the governmentwide guidance and agencies' data for making the studies, as well as the adequacy of the existing management controls in Circular A-126 over the use of government aircraft for routine administrative travel.

- Complete the planned transfer of the A-76 function from OFPP to the Management Directorate as soon as possible and consolidate all aircraft ownership, management, and use policies and guidance into Circular A-126.
- Establish an executive branch policy on the transportation of spouses and other nonofficial passengers that (1) specifies when it is in the government's best interests for them to accompany officials aboard government aircraft, which government officials are authorized to take spouses and other nonofficial passengers with them on domestic and overseas trips and under what circumstances, and who pays the costs of that transportation and (2) limits the government's liability.

Recommendations to the Acting Administrator of GSA

We recommend that the Acting Administrator of GSA provide the aviation management group the staff and other resources as well as the top-level management support and organizational placement within GSA that it needs to effectively fulfill its intended governmentwide leadership, technical assistance, and supporting oversight role in the aircraft area. This role should include (1) implementing, overseeing, and fine-tuning the guiding aircraft ownership, management, and use policies and (2) improving the completeness, reliability, and usefulness of the governmentwide aircraft management information system.

Agency Comments

As requested by the House Government Operations Subcommittee on Environment, Energy, and Natural Resources, we did not obtain official agency comments on this report. However, we sought and obtained the views of responsible OMB, GSA, and operating agency officials during the course of the work and incorporated these views where appropriate.

Conclusions and Recommendations

This chapter contains our overall conclusions on the adequacy of the corrective actions OMB and GSA have taken since September 1988 and recommends additional actions that we believe are needed to reform agencies' long-standing aircraft management practices.

Conclusions

Since the Subcommittee's September 28, 1988, oversight hearing, OMB and GSA's core aviation management group have made conscientious, good-faith efforts to provide executive departments and agencies the guidance, tools, and technical assistance that they need to make their aircraft programs more cost-effective. While the reform initiatives OMB and GSA devised and are now implementing are not a panacea for eliminating all mismanagement and misuses, they provide a framework that we believe can be used to hold federal agencies accountable for their ownership, operation, and use of aircraft.

Now that the executive branch has established an overall management framework for improving agencies' management and use of aircraft, it has an opportunity as well as an obligation to make it work. To do that, however, the executive branch will have to provide continuous and effective management leadership, oversight, and enforcement of the guiding policies and procedures. This will not be easy. It will probably require an additional investment in GSA or OMB staff. Also, the oversight and enforcement efforts will need to be fully integrated with the budget process so that agencies can be held accountable for reforming long-standing practices. Perhaps OMB's decision requiring that agencies include aircraft programs as part of their evaluations of the adequacy of internal control systems will help focus attention on these problems.

As long as agencies continue to own or operate administrative aircraft, they will probably seek ways to use them for routine travel. Consequently, the key management controls for improving the cost-effectiveness of agencies' aircraft programs are the special A-76 aircraft justification studies that agencies were supposed to, but did not, complete by July 31, 1989, as well as the initial acquisition and continuing need justification requirements of OMB Circulars A-76 and A-126. By ensuring that agencies comply with those aircraft justification provisions and choose the less costly means of satisfying their mission and transportation requirements, the executive branch should be able to improve the cost-effectiveness of its aircraft operations. Given the time required to do the special cost studies, the newness of both the OMB accounting guidance and the simplified procedure for determining the

agency aircraft; and (2) identifying and advising operating agencies as well as OMB of opportunities to share, transfer, or dispose of underutilized aircraft; to reduce excessive aircraft operations and maintenance costs; and to replace obsolete aircraft.

Nonofficial Passengers Aboard Government Aircraft

OMB's revised Circular A-126 does not contain any new policies or guidance to deal with some agencies' long-standing practice of permitting spouses and other nonofficial passengers to accompany officials on government flights to domestic as well as overseas locations.

In our consultations with OMB in November and December 1988 on needed revisions in A-126, we suggested that OMB establish a clear governmentwide policy on the transportation of spouses and other nonofficial passengers aboard government aircraft. However, OMB decided to retain the language in its October 1983 version because it believes that language is adequate. OMB cited certain legal barriers to a stronger, more specific policy statement.

The use of government vehicles and aircraft is governed by 31 U.S.C. 1344. The law provides that government vehicles and aircraft be used only for official purposes. However, it does not define or provide guidance on what constitutes an "official purpose." Our office has ruled that the transportation of spouses in government vehicles within the United States is permissible when the spouse is accompanying a top-level government official to or from an official function. In that circumstance, the provision of transportation to a nonofficial passenger would be permissible provided that it is incidental to otherwise authorized use of the vehicle involved and does not result in additional expense to the government.

We continue to believe that a governmentwide policy is needed to clarify under what circumstances spouses should be permitted to accompany government officials to official functions aboard government aircraft. In this regard, several questions need to be answered. For example:

- What constitutes an "official purpose" or "official function"?
- When is it in the government's best interest for a spouse to accompany a government official to an official function? Are there security considerations?
- When would it be appropriate for relatives or other nonofficial passengers to accompany government officials on government aircraft?

Departments of Agriculture (Forest Service), Commerce (NOAA), Justice, Transportation (FAA and the Coast Guard), and Treasury (Customs) as well as NASA have not responded to the requirement or have asserted that their aircraft are all mission aircraft and, as a result, believe that they should not be subject to the A-76 cost study requirement. DOD said that all its aircraft are exempt from A-76 because they are needed to meet wartime requirements.

Governmentwide Leadership and Oversight

The executive branch now has an opportunity as well as an obligation to reform agencies' long-standing aircraft ownership and usage practices. The success of these efforts depends on operating agencies' implementation of the revised policies and procedures and on effective governmentwide leadership, oversight, and enforcement by OMB and GSA.

Since A-126 allows agencies to use government aircraft for administrative purposes provided that commercial alternatives are not available or more costly than the variable or incremental costs of operating the government aircraft, agencies must properly justify the acquisition and use of aircraft on mission or economic grounds. Thus, the aircraft cost study justifications required by Circular A-76 are important in correcting agencies' long-standing practices. By aggressively overseeing and enforcing the A-76 requirements, the executive branch should be able to identify government aircraft that are not needed for mission purposes or not justified on economic grounds. OMB will need to devote more of its scarce management resources to overseeing agencies' aircraft programs or rely on GSA; on the President's Council on Integrity and Efficiency, which is composed of agency IGS; or on individual IGS to provide the needed executive branch oversight. Finally, OMB will need to use its executive authority, the budget process, and other available means to persuade or force agencies to dispose of unneeded aircraft.

Making the established management controls work will require considerable executive branch leadership, oversight, and enforcement. For example, the executive branch will need to ensure that agencies make the required special A-76 analyses for all 1,200 government civilian aircraft, review them for the validity of underlying assumptions and methodology, and ensure that agencies abide by the results. Besides overseeing and enforcing the results of the special A-76 studies, the executive branch will also need to ensure that agencies are properly justifying and documenting any administrative use of government aircraft

subsequently set new overall goals for the number of positions to be studied, however, and the number is nearly double that established in the past. On the basis of (1) agencies' past experience in meeting OMB goals and (2) the length of time cost studies take, we reported that agencies are unlikely to meet the new goals.

We also evaluated OMB's A-76 program as part of our overall general management review of OMB. Our May 1989 report pointed out that OMB's greater emphasis on Circular A-76 for contracting out federal commercial activities has been unsuccessful. This failure has resulted from the program's lack of governmentwide relevancy to agency operations, unrealistic study goals, unclear program objectives, a burdensome and time-consuming cost study process, limited OMB program resources, and poor congressional relations.

We concluded that OMB is unlikely to achieve its A-76 objective unless it

- adopts a more flexible implementation approach and works with Congress and line agencies to ensure its acceptance,
- clarifies that the objective of A-76 is to improve the efficiency of operations,
- works with agencies to develop mutually agreed upon goals and builds agencies' expertise slowly by narrowing its focus to a few agencies, and
- integrates its A-76 efforts with the budget process to identify opportunities for applying A-76 and to identify the existence of other agency activities that are designed to achieve similar goals.

We further said that forcing agencies to comply with a program when they are not convinced that it addresses an important management issue has not yielded the desired results and will likely continue to fuel debates about the program, which could further reinforce the program's opposition.

We recommended that OMB adopt a more flexible strategy for implementing the A-76 program. In devising a flexible approach, we suggested several specific actions OMB could take, including (1) working through the budget process to set broad goals for agencies to achieve greater efficiencies; (2) allowing agencies latitude to decide what mix of processes, including contracting out, they want to use to achieve efficiency goals; and (3) avoiding any confusion by the agencies on whether A-76 is a contracting-out program or a program to achieve management efficiency

- Is the A-76 cost study process, as currently structured and administered, likely to identify the most cost-effective means of satisfying aircraft mission and administrative transportation requirements?
- Are OMB and GSA ready, willing, and able to provide the leadership and oversight that will be required to ensure that executive agencies comply with the aircraft and administrative use justification requirements of OMB Circulars A-76 and A-126 and follow through with the indicated outcomes of those cost analyses, including disposing of aircraft that are not justified on bona fide mission or economic grounds?

In addition, OMB's revised Circular A-126, like the original October 1983 version, does not adequately address the continuing, controversial issue of spouses and other nonofficial passengers accompanying government officials aboard government aircraft on administrative travel to domestic and overseas locations. Our concerns about the reform initiatives are discussed in more detail below.

Ownership and Use of Administrative Aircraft

The success or failure of the reform efforts will depend on agencies' compliance with the ownership and administrative use justification requirements of OMB Circulars A-76 and A-126. However, A-126, as revised in January 1989, may still not be explicit enough about the continued ownership of aircraft that have no special or unique mission purposes and their continued use for routine administrative travel.

The intent of the original October 1983 version of Circular A-126, as we understand it, was to prevent such ownership and use unless an agency could justify it because of time-critical mission requirements, the lack of viable commercial alternatives, or lower costs to the government. In view of that stipulation, the government's established policy of generally relying on the private sector for commercially available goods and services when it is more economical to do so, and some agencies' long-standing ownership and usage practices, we suggested to OMB that its revision to Circular A-126 say that agencies are expected to use commercial aircraft services to satisfy routine administrative travel requirements. As a minimum, we suggested to OMB that its revised Circular A-126 should contain the language it used in its April 1986 reply to the DOE IG on administrative use of aircraft to clearly state the government's policy and expectations. (See p. 18.) OMB declined to adopt our suggestion because it believes that its revised Circular A-126 and the special A-76 cost studies for all government civilian aircraft are adequate to deal with that problem. OMB may be right, but we continue to believe that a clearer, more explicit statement of policy is warranted.

related to aircraft operations, aviation programs, and facilities. The group will also assist agencies in developing aircraft acquisitions as well as continuing-need justifications, operations effectiveness studies, flight-by-flight cost comparisons to justify administrative use of aircraft, safety analyses, and a more useful aircraft management information system.

Effective August 30, 1988, GSA adopted a revised action plan and a more aggressive approach for implementing our 1983 recommendations. The plan addresses all our past recommendations to GSA on improving civilian agency aviation management. If fully implemented, GSA's revised plan intends to (1) consolidate, coordinate, and analyze aviation procurement actions and operating cost information; (2) collect, monitor, and assist agencies in developing valid A-76 and A-126 aircraft and aircraft use justifications; and (3) establish an interagency forum to address and resolve issues relating to aviation standards, procurement, and safety.

GSA created a governmentwide aircraft information system in February 1985 but has not used it to analyze and identify aircraft management problems either governmentwide or in individual agency programs. The data in this system are incomplete because many agencies do not have complete cost and utilization data on their aircraft and aircraft operations, and one agency—NASA—has not provided GSA data on its aircraft program as required by GSA regulation. GSA's revised action plan calls for more aggressive oversight to achieve a higher level of agency compliance with, and acceptance of, the aircraft information system requirement. The plan also provides for assisting agencies in developing aviation management systems offering cost-capturing capabilities, logistical support, and analytical tools. Additionally, OMB's revised Circular A-126 provides cost-accounting guidance and standard aircraft program cost elements for agencies to use in managing their aviation resources and requires that agencies cooperate with GSA in collecting aircraft information. Given these actions, the prospects are now better for a more accurate, complete governmentwide aircraft management information system. Also, as mentioned earlier, OMB's January 1989 revision of Circular A-126 established a governmentwide leadership, technical assistance, and supporting oversight role for GSA in the aircraft area. It requires GSA to establish a single coordinating aircraft management office whose responsibilities, in consultation with an advisory interagency aviation working group, include, but are not limited to,

- contains cost-accounting guidance and standard aircraft program cost elements for agencies to use in complying with the justification and cost-effectiveness requirements of OMB Circulars A-76 and A-126.

One aspect of the revised circular is less stringent than the original October 1983 version. The agency requirement to justify through a Circular A-76 cost analysis (1) its continuing need for aircraft and (2) the cost-effectiveness of aircraft operations compared to commercially available alternatives was changed from "annually" to "periodically," which is every 5 years, as required by A-76. OMB and GSA decided that it was simply not practical to do a cost study annually for each aircraft. Because OMB is requiring special A-76 studies for all government aircraft, we do not consider this lack of annual studies to be a major problem.

Special A-76 Cost Analyses for All Aircraft

In a November 15, 1988, memorandum to the heads of executive departments and agencies, the Director of OMB (who is also the Chairman of the President's Council on Integrity and Efficiency) directed that agencies complete A-76 cost analyses on all government-owned and leased aircraft and on in-house provision of aircraft operations by July 31, 1989. (See app.IV.) He directed that A-76 cost analyses of aircraft be included on agencies' inventories and schedules of commercial activities that are to receive continuing priority management attention and that the milestones of these cost analyses be included in the A-76 tracking system.

OMB held two interagency working group meetings in January 1989 to emphasize and discuss the A-76 requirement on justifying the continuing need for aircraft and aircraft support services and the special aircraft A-76 cost analyses. According to OMB, agencies' A-76 concerns focused primarily on the criteria and process for determining the costs of the commercial alternative and on the need for simplifying the cost-study process. In response to these concerns, GSA, on OMB's behalf, drafted guidelines in February 1989 for agencies to use in making the special A-76 cost studies on their aircraft. OMB rewrote GSA's draft guidelines, originally expected to be issued by April 1, 1989, and provided them to federal agencies for comment on June 7, 1989, as a new proposed chapter 6, "Cost Comparison Studies for the Acquisition of Aircraft and Periodic Reviews of the Continuing Need for Aircraft," to the Circular A-76 Cost Comparison Handbook.

These draft guidelines basically follow the standard A-76 cost comparison methodology except that they contain guidance on, and a simplified

OMB and GSA Initiatives Are Encouraging but Require Extensive Oversight

This chapter discusses and evaluates actions OMB and GSA have taken since the September 28, 1988, oversight hearing to correct the continuing aircraft ownership, management, and use problems that were summarized in chapter 2. In response to our follow-up work in 1987 and 1988, similar findings by various IGS, and legislative oversight, OMB and GSA have initiated actions to improve executive branch guidance, leadership, and oversight of aircraft.

While we have reservations about the efficacy of certain aspects of these initiatives, we consider them encouraging for several reasons. They address, to some extent, most of the problems we and IGS identified in the guiding policies and procedures (OMB Circulars A-76 and A-126). They also provide for aircraft and administrative usage justifications and documentation, governmentwide technical leadership by GSA, and executive branch oversight by OMB and GSA of operating agencies' aircraft justifications and cost analyses, which did not exist before. Finally, they represent executive branch acknowledgment of continuing aircraft problems and, prospectively, provide a framework for correcting them.

To reform agencies' long-standing aircraft practices, however, aggressive and sustained executive branch oversight and enforcement of the guiding policies and procedures through the budget process and other available means will still be required. Also, further executive branch management actions will be needed to ensure the success of the OMB and GSA initiatives.

OMB Initiatives

As promised at the Subcommittee's September 28, 1988, oversight hearing, OMB revised Circular A-126 in January 1989 to clarify certain ambiguities and to

- provide more comprehensive guidance for executive agencies to follow in acquiring, managing, using, and accounting for the costs of aircraft;
- provide for oversight of the periodic justifications agencies must make of the continuing need for government ownership of aircraft and the cost-effectiveness of aircraft operations; and
- establish a governmentwide leadership, technical assistance, and supporting oversight role for GSA in the aircraft area.

OMB also directed executive agencies to complete by July 31, 1989, special A-76 cost analyses to determine the relative cost-effectiveness of all government civilian aircraft compared with commercially available aircraft services.

policy. However, Circular A-126, as issued in October 1983, did not mention cost-reimbursement and simply indicated that the transportation of passengers on government aircraft shall be limited in accordance with law and as authorized by an official agency travel directive or policy. OMB officials could not tell us why it decided to change its draft policy position on this matter, but we believe that the policy has contributed to the continuing problems that we and the IGs found in this area.

Ineffective Executive Branch Leadership and Oversight

At the time of our follow-up work at selected agencies in 1987 and 1988, neither OMB nor GSA had provided the executive branch leadership and oversight needed to ensure that agencies' ownership, operation, and use of administrative aircraft were cost-effective.

Although OMB issued Circular A-126 in response to our 1983 summary report and clarified Circular A-76, it had not followed up to ensure that operating agencies implemented, and were complying with, the requirements and intent of those circulars. OMB had not effectively used the budget process as we recommended in 1983 to oversee agencies' acquisitions of new aircraft or their justifications of continuing need. Also, OMB had not effectively utilized IG findings indicating continuing problems in agencies' management and use of administrative aircraft.

GSA partially implemented a governmentwide aircraft management information system as we recommended in 1983, but it did little else between 1983 and 1988 to implement our other recommended actions. For example, GSA did not use its information system to analyze and identify aircraft management problems either governmentwide or in individual agency programs. Also, it did not establish aircraft usage standards, monitor agencies' aircraft usage to identify underutilized aircraft, or provide any other centralized management services to the agencies. GSA aviation officials attributed their inaction to the lack of a legislative or executive mandate in the aircraft management area and to inadequate top-level support from GSA and OMB.

Promised Corrective Actions

The Deputy Director of OMB agreed at the September 28, 1988, oversight hearing that agencies have not complied with the requirements and intent of Circulars A-76 and A-126 and that further executive branch corrective actions were needed. He promised that OMB would modify Circular A-126 to clarify the difference between mission and administrative uses of aircraft, provide cost-accounting guidance and the standard aircraft cost elements agencies need to comply with A-76 and A-126

government aircraft be authorized only when such usage does not interfere with mission accomplishment and when it is more economical than commercially available aircraft services. We recommended that OMB require agencies to compare the costs of transporting passengers commercially with the costs of transporting them by government aircraft—which could be the full costs (fixed and variable), incremental costs (variable), or no cost, depending on the circumstances of the aircraft's mission and the purpose of that particular flight.

Instead, OMB decided to rely on a combination of its Circular A-76 and a new circular (A-126) to control agencies' ownership and administrative use of aircraft. OMB's Circular A-126 governing agencies' management and use of aircraft, issued October 5, 1983, applied only to aircraft configured to carry passengers or cargo and anticipated different treatment of mission and administrative aircraft. However, it did not define or otherwise distinguish between mission and administrative aircraft or the use thereof. We believe that the resulting ambiguity has contributed to some agencies' continued practice of owning and using government aircraft primarily to satisfy routine administrative travel requirements that are not justified by cost savings, mission accomplishment, or the lack of commercial alternatives.

In April 1986, OMB responded to an inquiry from the DOE Inspector General seeking clarification on when and for what purposes government aircraft could be acquired and used to transport passengers. OMB said that it did not support any interpretation of the word "mission" that would justify the acquisition and routine use of government aircraft to carry passengers or cargo when those functions could be done more economically using commercial aircraft. OMB also said that passenger air travel that was not time-critical or related to a specific exigency could not justify the use of government aircraft. However, OMB did not incorporate this guidance into Circular A-126 or otherwise communicate it to other executive agencies.

Through Circular A-126, OMB attempted to emphasize that the initial acquisition of, and continuing need for, government aircraft configured to carry passengers or cargo should be justified through A-76 cost analyses demonstrating that government ownership is more cost-effective than commercially available alternatives. The operating agencies we reviewed generally said that they had not made A-76 cost analyses to justify government ownership because they believed that their aircraft were mission aircraft that were not subject to the A-76 requirement.

Selected Agencies Continue to Mismanage Administrative Aircraft

This chapter summarizes the results of our follow-up work at selected agencies as well as similar findings reported by inspectors general and highlights the actions taken by OMB and GSA to improve aircraft management between 1983 and 1988.

Despite improvements in policies and procedures that were made as a result of our earlier reports, many of the aircraft management and usage problems we reported in 1977 and again in 1983 persist. These continuing problems stem from poor operating agency management practices and from incomplete and ineffective guidance, leadership, and oversight by OMB and GSA.

Our Follow-Up Work at Selected Agencies

Our follow-up work at selected agencies in 1987 and 1988 indicated that they generally continue to own, operate, and use aircraft for routine administrative travel with little or no consideration of whether commercial alternatives might be more economical.¹ Much of their administrative use of aircraft did not appear to be justified by cost savings, time-critical mission requirements, or the lack of commercial alternatives. Also, some agencies continued to permit spouses, dependents, and other nonofficial passengers to accompany top executives to and from official functions aboard administrative aircraft without justifying that their presence was in the government's best interests as required by their regulations.

The agencies we reviewed generally were not making A-76 cost studies to justify government ownership of administrative aircraft, and they were not making the A-126 flight-by-flight cost comparisons to justify the use of those aircraft for administrative travel. In those few instances where they did, the studies were flawed, inaccurate, or incomplete.

We summarized the results of our follow-up work on government civilian aircraft at a September 28, 1988, oversight hearing held by the House Government Operations Subcommittee on Environment, Energy, and Natural Resources. Details of our follow-up findings on civilian agencies' use of certain aircraft models—Justice's use of aircraft to meet the Attorney General's needs, Coast Guard's use of its two command/administrative aircraft, FAA's acquisition of several new aircraft, and TVA's administrative aircraft program—are provided in appendix I.

¹During the course of our work, however, one agency we reviewed—TVA—decided to curtail its passenger transportation services and begin relying exclusively on commercial alternatives. (See pp. 44 to 46.)

- Any use of departmental aircraft, regardless of the senior official on board, would be limited to those instances in which it was clearly in the government's best interest from an economy or mission accomplishment standpoint.
- Travel of spouses (except for those of the two senior officials in the Office of the Secretary, Coast Guard, and FAA and even then only when such travel is unquestionably in the national interest), dependents, and other nonofficial travelers would generally be prohibited.
- The Coast Guard Gulfstream I turboprop aircraft at Washington National Airport was reassigned to the Coast Guard Air Station at Elizabeth City, North Carolina, to be used for Coast Guard mission-related activities. The Gulfstream II jet remained at National Airport and was to be used to support command requirements and other high-priority or cost-effective transportation requirements.

Objectives, Scope, and Methodology

The overall objectives of our work were to determine to what extent the executive branch had implemented the recommendations we made in 1977 and again in 1983 and whether operating agencies had improved their management and use of administrative aircraft.

Our work took place between April 1987 and August 1989. It consisted of separate assignments requested by the House Government Operations Subcommittees on Environment, Energy, and Natural Resources and on Government Information, Justice, and Agriculture that were aimed at determining whether the problems we noted in 1977 and again in 1983 still existed. Also, we identified and reviewed 19 inspectors general or other internal audit reports that were issued since October 1983 on the management and use of administrative aircraft.

Field work was done at selected federal departments and independent agencies, including the Departments of Transportation, Justice, Energy, Interior, Agriculture, and Commerce as well as NASA and the Tennessee Valley Authority (TVA). It focused primarily on how agencies were using their administrative aircraft and whether they were justifying government ownership and any administrative use of aircraft as intended by OMB Circulars A-76 and A-126. Accordingly, we examined the selected agencies' aircraft policies and procedures; flight logs and related flight records; and any cost analyses, studies, or cost comparisons agencies had made to determine whether their ownership and use of aircraft were cost-effective compared to commercially available alternatives. We also discussed with the responsible management officials the agency's

We recommended that DOT dispose of the two Coast Guard aircraft, use less costly commercially available aircraft or other government aircraft to satisfy administrative travel requirements, and establish a policy generally prohibiting the transporting of spouses, dependents, and other nonofficial travelers on departmental aircraft.

Our April 1983 report on FAA's aircraft for one of its flight programs⁴ reported that more effective management was needed because of the following:

- FAA had spent millions of dollars to acquire aircraft without adequate justification and was planning to spend millions of dollars more to buy additional aircraft without considering less costly alternatives.
- Only a small percentage of the flight hours were for evaluation of the air traffic control system, the program's main purpose.
- A few pilots flew most of the pilot flight proficiency hours, while most pilots did not fly the minimum number of hours necessary to keep their flight proficiency current.
- Many flights were justified as being for pilot proficiency even though the pilots making those flights were already current. Moreover, most of those flights transported passengers who could have traveled at much lower cost on commercial airlines.
- Nonofficial passengers, including spouses and other dependents, routinely traveled on FAA aircraft at government expense.

We recommended a number of actions to improve FAA's aircraft management and to make its flight programs more efficient and economical. For example, we recommended that FAA

- make cost analyses to justify its new aircraft acquisitions and all existing aircraft;
- establish policies and procedures requiring consistent and valid comparisons of the costs of transporting passengers on its aircraft versus commercial airlines and the use of commercially available alternatives when they are more economical and do not interfere with mission accomplishment; and
- limit passenger transportation on its aircraft and permit it only when commercial alternatives cannot be used and when government benefits justify the costs of such transportation.

⁴FAA Can Better Manage the Aircraft It Uses To Keep Pilots Current and Provide Transportation (GAO/PLRD-83-52, Apr. 1, 1983).

In 1981 and 1982, we followed up on our 1977 report and evaluated various aspects of aircraft management by the Departments of Agriculture, Energy, Interior, Transportation, and several independent agencies. In a summary report issued in 1983, we concluded that no actions had been taken on the recommendations in our 1977 report, that little progress had been made in improving aircraft management and cost effectiveness, and that the problems reported in 1977 still existed.² Major problems included the following:

- Governmentwide policy guidance and cost-accounting systems were needed.
- Agencies' aircraft management was ineffective, and their cost-accounting systems were inadequate to capture the full costs of aircraft operations.
- Agencies acquired aircraft without adequate justification.
- Agencies used government aircraft for routine administrative travel of top-level officials and their spouses, dependents, and guests to locations served by commercial airlines.
- Agency aircraft were generally underutilized and costly to operate.
- A governmentwide aircraft management information system could help improve aircraft operations and increase the sharing of aircraft and related support services.

We made several specific recommendations to OMB and GSA designed to improve the management, use, and cost-effectiveness of government aircraft. For example, we recommended that OMB

- develop uniform policies and procedures for aircraft management, including guidance on how, when, by whom, and for what purposes aircraft should be used;
- require that agencies, in accordance with OMB policies, adopt implementing guidelines specifying how aircraft are to be used and requiring responsible agency officials to compare the costs of transporting passengers by commercial airlines with the costs of transporting them by government aircraft;
- clarify the government's travel policy and regulations to ensure that any administrative use of aircraft is cost-effective and that aircraft are used only to transport official passengers;

²Federal Civilian Agencies Can Better Manage Their Aircraft and Related Services (GAO/PLRD-83-64, June 24, 1983)

Introduction

In 1977 and again in 1983, we issued reports identifying a wide range of problems with federal civilian agencies' management and use of aircraft. Basically, agencies independently acquired and operated aircraft and did not have any governmentwide policy guidance or information, cost-accounting, and reporting systems to make informed decisions on the need for, and use of, aircraft. Accordingly, in 1983 we recommended ways to correct the policy guidance and information problems and to improve the management, use, and oversight of government aircraft.

At the request of the Chairman of the House Government Operations Subcommittee on Environment, Energy, and Natural Resources, we followed up in 1987 and 1988 on our earlier work and recommendations at selected agencies. Also, we did some related work for the House Government Operations Subcommittee on Government Information, Justice, and Agriculture and reviewed inspectors general (IG) and other internal audit reports on civilian agency aircraft management.

Universe of Government Civilian Aircraft

The General Services Administration (GSA) estimates that federal civilian agencies own about 1,200 aircraft that have an estimated accounting book value of \$2 billion and cost \$750 million annually to operate and maintain. GSA further estimates that civilian agencies lease or charter about 5,000 more aircraft at a cost of at least \$100 million annually.

The inventory of government aircraft spans the spectrum of aviation from single piston-engine planes to modern jets and includes over 100 different models manufactured by at least 25 different companies. Many of these aircraft are configured with specialized equipment and are used for numerous and varied missions. For example, the National Aeronautics and Space Administration (NASA) uses F-14 and F-15 tactical fighters in the Space Shuttle Program. In other instances, however, government aircraft are configured and used primarily for routine passenger transportation.

Typically, agencies acquire, control, and operate their own aircraft. Civilian agencies acquire aircraft by a variety of methods, including outright purchase, lease-purchase arrangements, seizures and forfeitures in connection with criminal prosecutions, and transfers from other agencies. Thus, the government has many different models from different manufacturers. In addition, many of the aircraft are at least 20 years old, and each model requires its own trained pilots and mechanics, spare parts, and other specialized support.

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and (3) directed agencies to make special cost analyses to determine whether all 1,200 government aircraft are cost-effective compared to commercially available aircraft. (See pp. 22 to 27.)

Corrective Actions Are Encouraging

The corrective actions OMB and GSA have instituted provide a centralized management framework for bringing about more cost-effective aircraft management. The actions address most of the ambiguities GAO and inspectors general identified in the guiding policies and procedures and provide for oversight that did not exist previously of agencies' aircraft ownership and administrative use justifications. (See pp. 27 and 28 and 36 to 37).

Extensive Oversight Needed

These central management agency actions are not, however, a panacea for all the aircraft management problems. Instead, the success or failure of those actions depends on whether individual agencies are committed to, and held accountable for, complying with the revised guidance. OMB and GSA will need to ensure that agencies justify any aircraft acquisitions as well as the continuing need for existing aircraft. (See pp. 36 to 37.)

Recommendations

GAO is making several recommendations to the Director of OMB and to the Administrator of GSA to better ensure that the corrective actions already taken result in more cost-effective ownership, operation, and use of aircraft. (See pp. 37 to 38.)

Agency Comments

As requested by the Subcommittee, GAO did not obtain official agency comments on this report. However, the views of responsible OMB, GSA, and operating agency officials were sought during the course of the work and incorporated where appropriate. (See p. 38.)

Executive Summary

Purpose

Civilian agencies own 1,200 aircraft that are worth at least \$2 billion and cost about \$750 million annually to operate and maintain. Additionally, civilian agencies spend at least \$100 million annually on leased aircraft and aircraft services.

In 1977 and again in 1983, GAO reported on many cases of wasteful and inefficient aircraft management practices by federal civilian agencies. For example, agencies acquired aircraft without justifying their cost-effectiveness and used them for routine administrative travel, frequently without considering the use of less costly commercial transportation services. In 1983 GAO recommended several actions that the Office of Management and Budget (OMB) and the General Services Administration (GSA) should take to establish governmentwide policies and procedures for acquiring, managing, and using aircraft, and to oversee agencies' practices. GAO also recommended steps that operating agencies should take to implement these policies and procedures. (See pp. 9 to 12.)

At the request of the Chairman of the House Government Operations Subcommittee on Environment, Energy, and Natural Resources, GAO followed up in 1987 and 1988 on its earlier work to determine if aircraft management had improved. This report (1) summarizes the results of that follow-up as well as related reports various inspectors general have issued since 1983, (2) evaluates corrective actions OMB and GSA have taken in response to those findings, and (3) recommends additional actions GAO believes are needed to reform agencies' long-standing aircraft management practices.

Background

Following GAO's 1983 report, the executive branch improved management control over the acquisition and use of aircraft. For example, OMB issued a new policy that contained some of the guidance and procedures GAO had recommended. GSA established an aircraft management information system, as GAO recommended, but did not follow through with it or implement other recommended actions. Also, several operating agencies revised their aircraft management regulations. (See pp. 13 to 14.)

Results in Brief

Despite improvements in the policies and procedures for aircraft acquisition and use made as a result of earlier reports, GAO's follow-up work, and that of several inspectors general, showed that many of the same problems reported earlier persisted. For example, some agencies continued to own administrative aircraft and to routinely use them without

