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OPERATION DESERT STORM

Improved Air Force Procedures Are Needed for Special Project Supply Orders



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**National Security and
International Affairs Division**

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January 31, 1992

The Honorable Carl Levin
Chairman, Subcommittee on Oversight
of Government Management
Committee on Governmental Affairs
United States Senate

The Honorable John Conyers, Jr.
Chairman, Legislation and National
Security Subcommittee
Committee on Government Operations
House of Representatives

As requested, we are reviewing the reliability, maintainability, and supportability of Air Force weapon systems, including the logistics infrastructure required to support these systems during Operations Desert Shield and Desert Storm. As part of this work, we analyzed supply backorders that the Air Force had made in support of Desert Storm¹ that were still outstanding as of July 3, 1991. This report summarizes the Desert Storm backorder issue and discusses changes that, if implemented, should improve procedures and practices for canceling backorders for all Air Force special projects.

Air Force units involved in Desert Storm were authorized to use a special project code to requisition supplies and equipment. The code gave a special priority to filling and shipping requisitions for Desert Storm operations. When these Air Force units ended their participation in Desert Storm, regulations provide for canceling unfilled special project code requisitions, or backorders.

Results in Brief

Air Force units did not always cancel outstanding backorders authorized for Desert Storm operations as soon as they should have. As of July 3, 1991, about 4 months after combat operations ceased, Desert Storm backorders valued at about \$50.8 million were still outstanding. Air Force headquarters and major commands often relied on individual units to cancel requisitions but did not follow up to make sure this was done. Headquarters, Air Force Logistics Command and Air Logistics Center officials could not monitor the validity of these backorders because they did not

¹In this report, Desert Storm refers to the entire period from the deployment of U.S. troops to Saudi Arabia (Desert Shield) to the completion of the war and liberation of Kuwait.

have an accurate list of units authorized to use the special code. As a result of our review, the Air Force (1) canceled about \$3.7 million in backorders for items no longer needed and (2) redirected about \$4.4 million in backorders originally authorized to support Desert Storm to meet other requirements.

The failure to detect or cancel these invalid backorders resulted from weaknesses in Air Force procedures and practices for managing backorders for special projects. Special project codes are routinely authorized for Air Force units, and backorders will continue to be established for special projects. Unnecessary procurement, repair, and transportation costs can be avoided in the future by establishing procedures and practices to ensure invalid backorders are promptly canceled.

Background

Individual Air Force units typically requisition material needed for peacetime operations from the unit's base supply. Base supply personnel replenish stocks by ordering from one of the five Air Logistics Centers² operated by the Air Force Logistics Command. When parts are not available at the logistics center, the required material is placed on backorder. Depending upon the availability of funds and the priority of the requisition, parts may or may not be procured to fill a backorder.

During Desert Storm, the Air Force modified its peacetime requisitioning system by establishing an automated central data base, the Air Force Central Command Supply Support Activity (CSSA), at Langley Air Force Base, Virginia. CSSA provided one accounting and supply system for Air Force units deployed to the Area of Responsibility in Southwest Asia where Desert Storm operations were conducted.³ Units in that area requisitioned materials through computer terminals linked to CSSA by satellite. CSSA personnel at Langley then located the needed parts from the Air Logistics Centers or from field units outside the Persian Gulf. The major commands retained visibility and responsibility for base supply activities outside the Persian Gulf.

Department of Defense and Air Force supply policies permit special codes to be assigned to special projects (including training activities, disaster relief efforts, and other activities) to ensure that supply requests receive priority attention as well as to track project costs. For example, during

²The five Air Logistics Centers are located in Ogden, Utah; Oklahoma City, Oklahoma; Sacramento, California; San Antonio, Texas; and Warner Robins, Georgia.

³This area is referred to later in this report as the Persian Gulf.

fiscal year 1991, the Air Force spent over \$500 million for logistics support of over 130 special projects, excluding Desert Storm.

On August 7, 1990, the Joint Chiefs of Staff approved a special project code for Desert Shield. The Air Force then authorized some specific bases and units to use this code during (1) their initial preparation and deployment or (2) their support of deployed units. The special code gave Desert Storm requisitions greater priority than requisitions either for other special projects or for peacetime requirements. On November 28, 1991, the Joint Chiefs of Staff extended the use of this code through November 30, 1992, to support operational units still deployed in the Persian Gulf and to replenish war reserve material located there.

We have previously identified problems with Air Force procedures and practices regarding the management of backorders. In 1989, we reported that the Air Force had significant amounts of invalid backorders of aircraft spare parts that were not being detected and canceled by periodic validation checks.⁴ We found that about one-third of the sample backorders reviewed were invalid and concluded that the Air Force could save substantial amounts annually by promptly detecting and canceling invalid backorders. The Department of Defense agreed to strengthen its procedures and practices for periodic detection and cancellation of invalid backorders.

Air Force Did Not Always Cancel Invalid Backorders

The Air Force did not always cancel outstanding backorders for Desert Storm operations for units that redeployed from the Persian Gulf to peacetime locations or completed their support of deployed forces. As a result, some units continued to get supplies that should not have been justified based on Desert Storm requirements.

During May 1991, we questioned Air Force officials about the validity of outstanding Desert Storm backorders. Although CSSA and some base supply activities had begun to cancel invalid backorders before we initiated our review, we found that many invalid backorders had not been canceled. After our inquiries, the Air Force Logistics Command requested CSSA to mass cancel backorders for base supply activities in the Persian Gulf no longer supporting operations there. As a result, during June 1991, CSSA supply personnel issued mass cancellations through the Logistics Command for 14 Desert Storm units that had been deactivated about 2 months earlier. Backorders no longer authorized for Desert Storm valued

⁴Military Logistics: Air Force's Management of Backordered Aircraft Items Needs Improvement (GAO/NSIAD-89-82, June 2, 1989).

at about \$1.3 million were canceled. Several units also canceled Desert Storm backorders valued at about \$690,800.

As of July 3, 1991, about 4 months after combat operations ceased, Desert Storm backorders valued at about \$50.8 million were still outstanding.⁵ According to Air Force officials, Desert Storm backorders valued at \$47.95 million were needed for units still deployed to the Persian Gulf as well as for units providing support to deployed units.

Department of Defense and Air Force guidance provide that special project codes can be used until units are no longer involved in the project. Working with Air Logistics Center personnel, we initially determined that about \$2.85 million of the outstanding Desert Storm backorders were for units that should no longer order or receive supplies under the Desert Storm special project code.

The Air Force canceled about \$1.55 million of the \$2.85 million invalid backorders, resulting in direct savings in repairs and procurement. Transportation costs of an undetermined amount were also avoided. The Air Force also removed the special project code from about \$840,000 of the invalid backorders, resulting in the redirection of these orders to meet needs unrelated to Desert Storm. Although these backorders still exist based on other requirements, their priority has been downgraded, and they may never be filled. Air Force personnel found that invalid backorders valued at about \$461,000 had already been shipped. Table 1 shows the breakdown of the Air Force's invalid Desert Storm backorders valued at about \$2.85 million.

Table 1: Breakdown of Value of Invalid Outstanding Desert Storm Backorders

Air Logistics Center	Canceled	Downgraded	Shipped	Total
Ogden	\$7,251	\$19,626	\$17,482	\$44,359
Oklahoma City	369,948	320,845	42,913	733,706
Sacramento	33,850	15,994	34,264	84,108
San Antonio	213,029	247,499	147,274	607,802
Warner Robins	922,896	236,008	219,452	1,378,356
Total	\$1,546,974	\$839,972	\$461,385	\$2,848,331

⁵Value is generally based on the Air Force's estimated cost to repair recoverable items and to procure expendable items.

Air Force Logistics Command headquarters and Air Logistics Center personnel noted that they have never had an accurate or comprehensive list of units authorized for priority processing based on their participation or involvement in Desert Storm. They said they filled invalid backorders because they were not always notified when units were no longer authorized to use the special project code. For example, Air Logistics Center personnel had not been notified that backorders valued at about \$321,770 for 19 Air National Guard units were invalid. According to guard officials, these units did not cancel Desert Storm backorders when they redeployed from the Persian Gulf between March and June 1991 because they expected CSSA personnel to do so. On September 16, 1991, the Air National Guard directed its units to cancel or remove the special project code from all invalid Desert Storm backorders.

While we generally accepted the Air Force's determination that \$47.95 million of the \$50.8 million of Desert Storm backorders had been made by units that could still justify priority based on Desert Storm requirements, we did review some of these backorders. Our review resulted in additional backorder cancellations and downgrades. For example, we inquired about several outstanding backorders for kitchen equipment from Shaw Air Force Base, South Carolina. Shaw supply personnel had told logistics center personnel that this equipment was needed to support a mobility squadron deployed to the Persian Gulf. Because of the kitchen equipment's estimated cost of \$539,000, the small number of Air Force units still deployed in the Persian Gulf, and the large quantity of kitchen equipment on backorder, we questioned Air Force officials about the validity of these backorders. As a result, Shaw supply personnel removed the special project code from the kitchen equipment backorders and from additional backorders for similar equipment valued at about \$3 million. According to Shaw supply personnel, these requisitions may not be filled because without the special project code they may lack sufficient priority.

We also questioned whether backorders valued at about \$129,200 from the 4th Tactical Fighter Wing's home station base supply at Seymour Johnson Air Force Base were valid. These backorders were not canceled because Air Logistics Center personnel had not been notified that the wing had been supported by base supply in the Persian Gulf rather than by base supply at Seymour Johnson. A CSSA supply official told us these backorders would be canceled.

Procedures for Canceling Backorders for Completed Special Projects Can Be Improved

In the future, the Air Force can avoid unnecessary procurement, repair, and transportation costs as special projects are completed. Although the Air Force's involvement in Desert Storm has been its most significant special project in recent years, the Air Force participates yearly in more than 100 special projects directed by either Air Force headquarters or the Joint Chiefs of Staff. For example, during the first 11 months of fiscal year 1991, the Air Force spent about \$506.7 million for logistical support of 133 special projects other than Desert Storm.⁶

Department of Defense Manual 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures," provides guidance on how backorders for special projects should be managed. It states that the services should cancel requisitions that support special projects when units are no longer involved in these projects. The manual also states that either mass cancellations of backorders for entire base supply activities or an individual cancellation of each backorder can terminate backorder requisitions that are no longer needed for a given special project.

Air Force Manual 67-1, "Headquarters U.S. Air Force Supply Manual," also provides guidance regarding the management of backorders. It states that either Air Force headquarters or the major commands should submit mass cancellations to Headquarters, Air Force Logistics Command that, in turn, is responsible for notifying the logistics centers. Mass cancellations are suggested when a unit's involvement in a project terminates without sufficient time to cancel individual requisitions. According to a Logistics Command supply official, the major commands should have used mass cancellations to cancel backorders of units redeploying from the Persian Gulf after Desert Storm.

As we found, existing Air Force procedures and practices did not provide adequate guidance to ensure that backorders were canceled when some units completed their participation in Desert Storm activities. While procedures in Air Force Manual 67-1 are more specific than those in Department of Defense Manual 4000.25-1-M, these procedures do not identify the activities responsible for managing backorders for special projects and do not delineate responsibilities for canceling backorders authorized during special projects. According to an Air Force supply official, the confusion in guidance was aggravated by the creation of CSSA. This official also noted that current supply policy does not adequately delineate procedures and responsibilities for canceling backorders for special projects.

⁶Air Force officials defined logistical support costs to include transportation, parts and equipment, fuel, and miscellaneous expenses.

There may be other opportunities to cost effectively modify supply procedures and practices that would clarify and improve the management of backorders for future special projects. One option would be to modify the Air Force's quarterly validations of overaged backorders to include validations and cancellations of backorders for special projects. A second option would be to link the Logistics Command's requisitioning systems to an existing Air Force data base of unit deployment and redeployment information. Such a system could automatically cancel backorders based on unit redeployment information entered by Air Force headquarters. Implementation of such improvements to existing procedures and practices should help ensure the timely cancellation of backorders for future special projects as authorized units complete their participation.

Recommendations

We recommend that the Secretary of the Air Force (1) require a review of the units still authorized to use the Desert Storm special project code to determine whether it is still justified and (2) require the major commands to expeditiously cancel all backorders for Operation Desert Storm as authorized units complete their participation.

Given the widespread use of special project codes, we also recommend that the Secretary require the Air Force Deputy Chief of Staff for Logistics to revise procedures in Air Force Manual 67-1 to improve the Air Force's management of supply procedures for special projects. Revised procedures should specify (1) who is responsible for managing backorders for special projects, (2) how and when backorders should be canceled as special projects are completed, and (3) how responsibilities and procedures will differ, if at all, for peacetime and wartime special projects.

Scope and Methodology

To determine the validity of backorders, we took a two-tier approach. First, we identified potentially invalid backorders by developing a list of base supply activities no longer authorized to support Desert Storm and compared it to the base supply activities with backorders for the operation as of July 3, 1991. We selected this date because, by this time, most of the Air Force units deployed to the Persian Gulf had returned to their home stations and we wanted to ensure that these units were no longer receiving shipments of invalid backorders. We developed the list by reviewing situation reports that identified units deployed in the Persian Gulf and discussed the status of individual units supporting operations in the area with officials from several major commands, including the Tactical Air Command, the Military Airlift Command, the Strategic Air Command, and

the United States Air Forces in Europe. Air Force officials told us that a comprehensive list of base supply activities authorized to use the Desert Storm special project code was never developed because operations had been supported from Air Force resources worldwide. Thus, we considered all backorders for base supply activities on our list to be potentially invalid. We did not independently verify the Air Force's justifications for continuing to authorize the special project code.

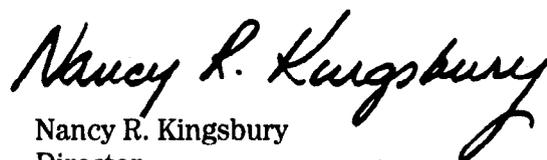
To complete our two-tier approach, we provided the list of outstanding backorders to Air Logistics Center personnel who confirmed the backorders' validity by contacting and questioning the base supply activities about their units' outstanding backorders. These validations consisted of phone calls to the requisitioning base supply activities. On the basis of information obtained, the logistics centers determined the backorders (1) were still valid for Desert Storm, (2) had already been shipped, or (3) were invalid and obtained authority from the base supply activities to cancel or revise these backorders to meet other requirements. While we generally accepted the logistics centers' explanations when the backorders were determined to be valid, in several instances we selectively reviewed the justifications provided. We also accepted the values of the outstanding backorders as reported by the Air Force and did not independently test the data to determine its accuracy or reliability.

We conducted our review between April and November 1991 in accordance with generally accepted government auditing standards.

As requested, we did not obtain written agency comments on this report. However, we discussed a draft of this report with Department of Defense officials, who agreed with our findings and recommendations.

As arranged with your offices, we plan no further distribution of this report until 7 days from its issue date, unless you release its contents earlier. At that time, we will send copies to other appropriate committees and Members of Congress; the Secretaries of Defense and the Air Force; and the Director of the Office of Management and Budget. We will also make copies available to other parties on request.

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



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