

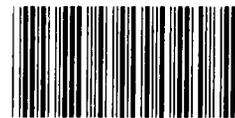
GAO

Briefing Report to the Chairman,
Subcommittee on Defense,
Committee on Appropriations,
House of Representatives

January 1987

AIR FORCE BUDGET

Potential for Reducing Requirements and Funding for Aircraft Spares



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-225116

January 13, 1987

The Honorable Bill Chappell, Jr.
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In response to your request, we examined the validity of the Air Force's fiscal year 1987 requirements and funding request for aircraft replenishment spares in the aircraft procurement appropriation. We also reviewed the ability of the Air Force to execute its fiscal year 1987 procurement program for such spares.

As you requested, our examination included (1) a comparison of the Air Force's updated fiscal year 1987 requirements with its prior budgeted requirements and funding request; (2) an analysis of whether the Air Force used its macro estimating model or normal requirement computation system in developing its budgeted requirements; (3) an analysis of the subjective factors, such as administrative lead time and variable safety levels, used by the Air Force in computing its budgeted and updated requirements; (4) an analysis of the Air Force's use of such techniques as undefinitized contracts and buying earlier than needed; and (5) an analysis of the extent of the Air Force's excess inventory levels of aircraft replenishment spares.

We submitted an interim status report to you on May 30, 1986, and provided your staff with an updated briefing on September 22, 1986. As requested by your office, this report was prepared to provide a written record of the results of our review.

The Air Force's updated fiscal year 1987 requirements, as of September 1986, for aircraft replenishment spares were \$1.2 billion less than the budgeted requirements on which its fiscal year 1987 funding request was based. The reduction in requirements was due primarily to a decrease in previously predicted future usage. This is shown in detail in appendix I.

The Air Force's normal requirement process, rather than its macro estimating model, was used in developing its fiscal year 1987 budgeted requirements and funding request for aircraft replenishment spares. We previously reported that the Air Force's use of its macro estimating model significantly inflated budgeted requirements and funding requests for fiscal years 1984, 1985, and 1986.

The Department of Defense (DOD) reduced the Air Force's fiscal year 1987 funding request for aircraft replenishments spares by \$990.2 million. Of this reduction, \$722 million was attributable to concerns expressed by your Subcommittee regarding such issues as excessive administrative lead time and availability of unused prior years' funds. (See app. II).

We identified and provided to your office additional potential reductions of \$587 million in the Air Force's requirements and related funding for aircraft replenishment spares, as highlighted below and presented in detail in appendix II.

- Deferral or elimination of requirements for war reserve spares to support a questionable conventional mission for the B-1B bomber (a potential reduction of \$203 million).
- Deferral of requirements for aircraft replenishment spares purchased more than a year prematurely (\$125.4 million).
- Elimination of excessive administrative lead time requirements (\$51 million).
- Procurement savings by maximizing cost-effective contract terminations of on-order aircraft spare excesses (\$208.1 million).

We also reported that we believe the Air Force may have difficulty in fully obligating fiscal year 1987 funds requested for purchase of aircraft replenishment spares because of its relatively low first year obligation rate for fiscal year 1986 funds; the existence of \$481 million in unobligated fiscal year 1984 and 1985 funds as of September 30, 1986; and the deobligation rate occurring as unpriced contracts are definitized. (See app. III.)

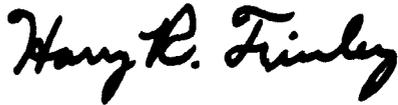
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We discussed these matters with DOD and Air Force officials. As you requested, we did not obtain official Department of Defense comments on this report.

We are sending copies of this report to the Chairman, Subcommittee on Defense, Senate Committee on Appropriations; the Chairmen, Senate and House Committees on Armed Services; the Secretaries of Defense and the Air Force; the Director, Office of Management and Budget; and other interested parties.

If you have any questions, please call me at 275-4268.

Sincerely yours,

A handwritten signature in black ink that reads "Harry R. Finley". The signature is written in a cursive style with a large, prominent "H" and "F".

Harry R. Finley
Senior Associate Director

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ABBREVIATIONS

AFLC	Air Force Logistics Command
DOD	Department of Defense
GAO	General Accounting Office
ALCs	Air Logistics Centers

COMPARISON OF THE AIR FORCE'S FISCAL YEAR 1987
REQUIREMENTS AND FUNDING REQUEST FOR
AIRCRAFT REPLENISHMENT SPARES

The President's fiscal year 1987 budget for aircraft replenishment spares presented to the Congress in February 1986 showed an Air Force budgeted requirement of \$4,541.6 million (\$2,077.8 million peacetime; \$2,463.8 million war reserves) and a funding request of \$2,550.1 million (\$1,991.5 million to remain unfunded for war reserves). As of September 1986, the fiscal year 1987 spares requirements had decreased to \$3,318.4 million, or \$1,223.2 million less than the previously budgeted requirements. The reduction in requirements was due primarily to a decrease in previously predicted future usage. Details are presented in table I.1 below.

Table I.1: Comparison of Fiscal year 1987 Requirements and Funding Request for Aircraft Replenishment Spares

Category	10/85 Budgeted	2/86 Funding	Unfunded	9/86 Updated	Increase/	Increase/
	requirements	request		requirements	(decrease)	(decrease)
					from 10/85	from 2/86
					budget	funding request
------(millions)-----						
Peacetime	\$2,077.8	\$2,077.8	\$ 0.0	\$1,927.6	(\$150.2)	(\$150.2)
War reserves						
Readiness (W/B) ^a	\$2,009.3	\$ 472.3	\$1,537.0	\$ 864.7 ^d	(\$1,144.6)	\$392.4
Sustainability (OWRM) ^b	454.5	0.0	454.5	526.1 ^e	71.6	526.1
	\$2,463.8	\$ 472.3	\$1,991.5	\$1,390.8	(\$1,073.0)	\$918.5
Total	\$4,541.6 ^c	\$2,550.1	\$1,991.5	\$3,318.4	(\$1,223.2)	\$768.3

^aW/B = War Readiness Spares Kits/Base Level Self Sufficiency.

^bOWRM = Other War Reserve material.

^cThe Air Force's funding request to DOD was for \$3,540.3 million of this amount, leaving an intended unfunded war reserve requirement of \$1,001.3 million. The Department of Defense reduced the funding request by \$990.2 million; the resulting \$ 2,550.1 million was the funding request included in the FY 1987 President's Budget submitted to the Congress in 2/86, leaving an unfunded war reserve requirement of \$1,991.5 million, which was also reflected in the President's Budget.

^dIncludes \$214.1 million unfunded carryover from fiscal year 1986.

^eIncludes \$389.3 million unfunded carryover from fiscal year 1986. The Air Force Logistics Command's fiscal year 1986 and 1987 buy guidelines to its air logistics centers preclude procurement of OWRM requirements.

DETAILS CONCERNING THE VALIDITY OF THE
AIR FORCE'S FISCAL YEAR 1987 REQUIREMENTS
AND FUNDING REQUEST FOR AIRCRAFT REPLENISHMENT SPARES

The Air Force's normal requirement process,¹ rather than its macro estimating model,² was used as the starting point in determining fiscal year 1987 budgeted requirements for peacetime aircraft replenishment spares. The use of the normal requirement process resulted in fiscal year 1987 budgeted requirements being lower than what would have resulted from use of the macro estimating technique. As pointed out in our letter to Chairman Addabbo dated July 16, 1985, the use of the macro estimating model for fiscal years 1984, 1985, and 1986, resulted in budgeted peacetime requirements that were \$665 million, \$453 million, and \$672 million higher, respectively, than the normally computed requirements.

The Department of Defense reduced the Air Force's fiscal year 1987 budgeted requirements for aircraft replenishment spares by \$990.2 million. Of the \$990.2 million reduction, \$722 million was attributable to concerns expressed by the Subcommittee over issues covered in our letters to Chairman Addabbo dated July 16, 1985, and October 1, 1985. The \$722 million reduction is broken down as follows:

- A \$160 million reduction as a result of excessive administrative lead time requirements.
- A \$300 million reduction in recognition that prior years' funds, available for obligation through fiscal year 1987, remain unobligated.

¹The normal computation process is a quarterly detailed computation of requirements and related procurement needs on an item-by-item basis which considers past usage and projected needs for several years in the future.

²The Peacetime Operating Spares Support Estimating Model (POSSEM) estimates total requirements by taking into consideration historical growth in requirements that occurred for fiscal years 1975-1982 and the growth in other variables--value, age and utilization of aircraft--that were believed to best predict these growth patterns.

-- A \$262 million reduction because of an unjustified carryover to the fiscal year 1987 budget of a portion of the reduction previously made by the Appropriations Committees in the Air Force's fiscal year 1986 funding request.

On the basis of this and two other recently completed reviews, we identified the following matters for your consideration in determining whether further reductions were warranted in the Air Force's requirements and related funding for aircraft replenishment spares. We have also included information discussed with your office on variable safety levels.

B-1B BOMBER

In reviewing the Air Force's fiscal year 1987 budget for aircraft replenishment spares, DOD considered a reduction of \$203 million for war reserve spares to support a conventional mission for the B-1B bomber. DOD considered this reduction because (1) the B-52 bomber has been assigned a conventional role and it was not clear why the B-1B will have to duplicate a conventional mission in its early years, and (2) there was no indication that the Air Force had funded a deployable maintenance capability at forward bases that would be needed to support a conventional role for the B-1B. DOD had not made this reduction because of a management decision to make alternative reductions.

BUYING SPARES EARLIER THAN NEEDED

In our report to the Secretary of the Air Force entitled Buying Spares Too Early Increases Air Force Costs And Budget Outlays (GAO/NSIAD-86-149; 8/1/86), we pointed out that our review, performed at two of the Air Force's five air logistics centers, showed that they routinely bought recoverable aircraft spare parts up to 14 months earlier than necessary. We showed that \$125.4 million of the total amount invested prematurely by the two centers represented purchases made more than 1 year too early. Requests for appropriations to fund these purchases could have been deferred for 1 year if the centers had planned to buy spares at the appropriate times. We concluded that since all five air logistics centers follow the same early procurement practice, elimination of this practice would result in significant Air Force-wide deferrals in procurement outlays and budget requests.

We recommended that the Secretary of the Air Force direct the Air Force Logistics Command (AFLC) to comply with AFLC Regulation 57-4 which stipulates that routine purchases of recoverable spares should be initiated at times that will allow them to be received

when needed, considering their procurement lead times.³ The regulation allows exceptions, such as opportunities to obtain better prices or to avoid possible shortages of material. In these instances, procurement is permitted up to 3 months earlier than would otherwise be appropriate; however, the advantage to the government must be documented.

DOD and the Air Force agreed that initiation of procurement more than 1 year early could result in premature obligation of funds and indicated they would apply a limitation of 1 year for early initiation. However, DOD also advised that AFLC Regulation 57-4 would be changed to legitimize initiation of recoverable aircraft spares purchases up to 1 year early. DOD stated that this early initiation of purchases was necessary to support policy objectives such as increased competition and economic pricing.

In our opinion, actions taken by DOD and the Air Force will not preclude the procurement and delivery of aircraft spare parts for more than a year earlier than needed. At the two centers we reviewed, we found that contracts for spare parts contained a standard provision permitting early delivery. Also, we found that the two centers routinely received spare parts deliveries earlier than scheduled--an average of 2.5 months and 6.4 months. Thus, permitting initiation of purchases up to 1 year early, coupled with routine contractor early deliveries, would seem to ensure that the Air Force will continue to incur significant annual outlays for purchases that could be deferred by more than 1 year.

EXCESSIVE ADMINISTRATIVE LEAD TIME

Administrative lead time is that portion of total procurement lead time from initiation of a procurement request until the contract is awarded. Beginning with the March 31, 1985 requirement computation cycle for aircraft replenishment spares, the requirement computation system was reprogrammed to increase the administrative lead time used in computing requirements to a minimum of 9 months for all items. According to Air Force Logistics Command officials, this action was taken to compensate for anticipated increases in lead time due to DOD initiatives and

³Procurement lead time represents the administrative and production lead time required to obtain spare parts. It begins when an item manager prepares the purchase request, runs through the award of the procurement contract and ends with the first significant delivery (i.e., 10 percent of total contract quantity).

congressional legislation to expand competition. Previously, actual administrative lead time, updated quarterly, was used in computing requirements.

As a result, the minimum 9-month administrative lead time standard was used in computing both the fiscal year 1987 budgeted and updated requirements for aircraft replenishment spares. AFLC records show that the actual average administrative lead time for aircraft spares peaked at 7 months in March 1985 and was 6.9 months as of the end of August 1986, the latest data available at the time we completed our review.

As of the March 31, 1985, requirement computation cycle, which was the basis for the fiscal year 1987 budgeted requirements, the value of the Air Force's administrative lead time requirements averaged \$106.5 million per month. The use of a 9-month minimum administrative lead time, instead of an actual of 7 months, caused the Air Force's budgeted requirements to be overstated by \$213 million (2 months X \$106.5 million per month). As of the March 31, 1986 requirement computation cycle, which was the basis for the fiscal year 1987 updated requirements, administrative lead time requirements averaged \$105.7 million per month. Therefore, the use of a 9-month minimum lead time, instead of an actual of about 7 months, caused the Air Force's updated requirements to be overstated by \$211.4 million (2 months X \$105.7 million per month).

As previously mentioned, DOD reduced the Air Force's fiscal year 1987 budget for aircraft replenishment spares by \$160 million because of excessive administrative lead time. This left an estimated overstatement of \$51 million in the updated requirements.

Subsequently, in response to our and congressional concerns, AFLC reprogrammed the requirement computation system on June 9, 1986, to revert to the use of quarterly updated actual item administrative lead time to compute requirements in lieu of the minimum 9-month lead time.

EXCESS INVENTORY LEVELS

Data from the Air Force's March 31, 1985, and March 31, 1986 budget requirement computation cycles show that the amount of on-hand and on-order recoverable aircraft spares inventory exceeding current requirements (4-5 year supply) increased from \$6.8 billion to \$12.4 billion. As a percentage of total inventory, these excesses grew from 19.3 percent to 33.2 percent.

Air Force studies of the validity of the reported inventory excesses showed that the dollar value of on-hand and on-order aircraft spares excesses revealed by the March 31, 1985 requirement computation cycle were overstated by 45.7 percent and 69.6 percent, respectively, due to data input errors to the requirements system. Similarly, the dollar value of on-hand and on-order excesses revealed by the March 31, 1986 cycle were found to be overstated by 19.4 percent and 51.9 percent, respectively.

After making allowances for the data errors revealed by the Air Force's studies, our analysis shows that from March 31, 1985, to March 31, 1986, the Air Force's on-hand and on-order aircraft spares excesses increased from \$3.4 billion to \$9.4 billion. As a percentage of total inventory, these excesses grew from 9.6 percent to 25.1 percent. The value of aircraft spares on-order excesses increased from \$334.4 million to \$817.7 million, or by \$483.3 million. As a percentage of total inventory on order, these excesses grew from 4.3 percent to 9.6 percent.

Our ongoing review of the Air Force's procedures and practices for terminating procurement of recoverable aircraft spares on-order excesses at two of the Air Force's five air logistics centers indicates that the Air Force terminates less than 3 percent of the total value of excess aircraft spares on-order. An AFLC directed study of another center showed the same results. Our review indicates that cost-effective terminations could be made for about 33 percent of these on-order excesses.

At the Sacramento and San Antonio Air Logistics Centers, we reviewed 34 sample items with on-order excesses valued at over a \$1 million, totaling \$74.2 million. Our sample represented a universe of 60 items with on-order excesses exceeding \$1 million, totaling \$103.2 million. We found that the two air logistics centers terminated only \$1.8 million, or 2.4 percent, of excess on-order items in our sample. Our analysis showed that it would have been cost effective to have terminated an additional \$31.3 million, or 30.3 percent, of the \$103.2 million universe of on-order excesses represented by our sample. Our analysis showed that the cost to the Air Force for terminating the procurement of the on-order excesses valued at \$31.3 million would have been \$1.85 million for contractor termination charges, or 5.9 percent of the procurement value. By the time we had completed our field work, ALC officials, after reconsidering their earlier decisions, had terminated procurements of \$10.5 million of the additional \$31.3 million identified in our analysis.

The missed opportunities to terminate procurements of excess on-order material at the two ALCs reviewed appear to be representative of all five ALCs. The two ALCs we reviewed did not take maximum advantage of cost-effective terminations primarily because AFLC had not provided them with specific guidance on how to calculate the required factors, such as inventory holding costs, needed to determine whether it is more economical to terminate or accept on-order excesses. AFLC officials confirmed that none of the five ALCs had been given such guidance and that none were making maximum terminations of on-order excesses.

By improving the termination process for on-order excess recoverable aircraft spare parts at all five air logistics centers, we believe the Air Force could significantly reduce its annual procurement outlays for material no longer needed. Such an improvement should also enable the Air Force to reduce its annual budgeted requirements and procurement appropriation funding request for recoverable aircraft spare parts. An indication of the potential magnitude of annual procurement savings is shown by table II.1 below.

Table II.1: Potential for Annual Procurement Savings by Maximizing Cost-Effective Terminations of On-Order Aircraft Spare Excesses

\$1,405.9 million	Total of individual item on-order excesses valued at more than \$1 million as revealed by the 3/31/86 requirement computation cycle.
X <u>51.9</u> percent	Error rate in 3/31/86 on-order excesses shown by Air Force study.
- <u>729.7</u> million	Invalid on-order excesses.
\$ 676.2 million	Corrected value of 3/31/86 on-order excesses.
X <u>32.7</u> percent	Potential for cost-effective terminations shown by GAO's review at 2 ALCs.
\$ 221.1 million	Estimated value of cost-effective terminations.
X <u>5.9</u> percent	Ratio of contract termination costs to procurement costs of on-order excesses which GAO determined could be cost effectively terminated at the 2 ALCs reviewed.
\$- <u>13.0</u> million	Estimate of contract termination costs.
\$ <u>208.1</u> ^a million	Potential for annual procurement savings.

^aThis estimate is based on only one quarterly cycle. We did not consider it appropriate to use four quarterly cycles to annualize this estimate because some portion of on-order excesses overlap quarters. However, this estimate is conservative because it does not take into consideration potential terminations of additional on-order excesses generated each quarter.

VARIABLE SAFETY LEVELS

A variable safety level is an additional quantity of spares to provide a margin of safety in the event that demands or resupply times are greater than anticipated on the basis of prior experience. Safety levels vary by item based on available assets, anticipated demands, procurement and repair costs, procurement lead time, and number of users.

From the March 31, 1985 requirement computation cycle to the March 31, 1986 cycle, fiscal year 1987 forecasted demands for peacetime aircraft replenishment spares decreased by \$16.3 billion, or by 23.9 percent. During this period the average

procurement lead time decreased slightly from 27.1 months to 26.9 months. Total safety level requirements decreased by \$704 million, or 8.9 percent. Despite an overall decrease in safety level requirements, the buy requirement for safety levels increased by \$47.1 million, or 100 percent, because of a decrease in previously forecasted assets on hand and on order that would be available to fill safety level requirements.

Despite the overall decrease in safety level requirements, safety levels for designated aircraft increased from \$285.3 million to \$292.9 million because a higher than normal item fill rate⁴ was used for supply support. Examples of the dollar increases in safety levels resulting from setting item fill rates for certain aircraft at higher than the normal 92 percent rate are shown below.

Table II.2: Examples of Increases in Safety Levels

<u>Aircraft</u>	<u>Safety level at 92 percent</u> (millions)	<u>Higher fill rate</u> (percent)	<u>Increase in safety level</u> (millions)
F-16	\$777.5	95.8	\$22.6
C-141	267.9	97.5	18.9
C-135	247.8	94.7	15.9

⁴Percentage of item demands that are filled from available stocks on hand within a specified timeframe.

ASSESSMENT OF THE AIR FORCE'S ABILITY TO
FULLY OBLIGATE ITS FISCAL YEAR 1987

FUNDING

In our briefing report to the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, entitled Efforts to Increase Obligations Caused Questionable Practices (GAO/NSIAD-86-165BR; August 12, 1986) we pointed out that actions taken by the Air Force to accelerate obligations of fiscal year 1984 and 1985 procurement funds for weapon system spares and modifications during a 2-week period ending December 31, 1985, produced questionable procurement actions. These included (1) obligating 100 percent of the estimated value on unpriced contracts and (2) obligating fiscal year 1984 program funds for fiscal year 1987 requirements. We also pointed out that the Air Force's use of prior years' funds to procure fiscal year 1986 requirements could cause program year 1986 obligation rates to lag behind rates for previous years.

We reported that DOD pressured the Air Force to improve execution of its fiscal years 1984 and 1985 funding by incrementally releasing fiscal year 1986 funds on a monthly basis. Previously, DOD released all funds at the beginning of the fiscal year.

As of December 19, 1985 the Air Force had not obligated about \$1.4 billion of its fiscal year 1984 procurement funds and \$3.3 billion of its fiscal year 1985 funds. Because procurement funds are available for obligation for a 3-year period, fiscal year 1984 funds could be obligated through fiscal year 1986 and 1985 funds through fiscal year 1987. On December 20, 1985, the Air Force Logistics Command directed its buying activities to obligate available fiscal year 1984 and 1985 funds to the maximum extent possible by December 31, 1985. Actions taken to accelerate obligations included:

- Switching the designated fiscal year funds used to buy the current year's spare parts requirements from 1986 to 1984 or 1985. This funding year change was permitted by an October 1985 Air Force policy change, concurred in by DOD, which provided that any available replenishment spares funds may be obligated to buy the current year's requirements. Before this change, only the current year's funds could be used to buy current requirements.

-- Obligating 100 percent of the estimated value on unpriced contracts for urgent buys through December 31, 1985, using fiscal years 1984 and 1985 funds, when the normal policy was to obligate only up to 50 percent. The 50 percent obligation limit was adopted in October 1985 to reduce the problems caused by obligating excessive funds on unpriced contracts.

We pointed out that between December 20 and 31, 1985, AFLC's buying activities obligated about \$1.1 billion of fiscal year 1984 and 1985 funds as compared to only about \$118 million during the first 19 days of the month, and \$500 million during the succeeding 3 months. In April 1986 DOD released the balance of the Air Force's fiscal year 1986 procurement funds after receiving specific examples from buying activities of the adverse impact caused by its incremental releasing of fiscal year 1986 funds.

In our briefing report we concluded that amending normal Air Force policy to permit obligation of 100 percent of the estimated value of unpriced contracts was a questionable way of accelerating obligations of 1984 and 1985 funds. We stated that, in cases where contract definitization occurs after the 3-year authorization period expires, the Air Force would lose funds if definitized prices were less than the amounts obligated for unpriced contracts.

In our report to the Chairman, Senate Committee on Governmental Affairs, entitled Obligations Exceed Definitized Prices On Unpriced Contracts (GAO/NSIAD-86-128; May 2, 1986), we showed that for the 716 DOD unpriced contracts reviewed, obligations exceeded definitized prices by about 18 percent and the majority of these contracts remained unpriced over a year. We concluded that obligating excess funds on unpriced contracts has several adverse effects. It ties up funds for extended periods of time that could be used to meet other requirements. Also, it distorts the amount of funds DOD has available for obligation. Additionally, obligating more than is necessary to pay final prices reduces a contractor's incentive to control costs and to negotiate contracts promptly.

In addition to the previously mentioned temporary Air Force actions to accelerate obligations of fiscal year 1984 and 1985 procurement funds, the Air Force Logistics Command in December 1985 directed its air logistics centers to give top funding priority to fully obligating the balance of fiscal year 1984 funds for aircraft replenishment spares by February 1, 1986, and to give priority in obligating fiscal year 1986 funds for aircraft replenishment spares over fiscal year 1985 funds.

Despite Air Force efforts to improve obligation performance rates for fiscal years 1984-1986 procurement funds for aircraft replenishment spares, \$78 million of fiscal year 1984 and \$403 million of fiscal year 1985 funds remained unobligated as of September 30, 1986. Also, first year obligation performance for fiscal year 1986 (80.5 percent obligated versus the goal of 85 percent) lagged behind that of fiscal years 1984 (83.6 percent) and 1985 (88.1 percent). The status of fiscal years 1984, 1985, and 1986 procurement funds for aircraft replenishment spares, as of September 30, 1986, is shown in table III.1.

Table III.1: Status of Fiscal Years 1984-1986 Procurement Funds For Aircraft Replenishment Spares as of September 30, 1986^a

<u>Fiscal year</u>	<u>Procurement authority</u>	<u>Commitments^b</u>		<u>Obligations^c</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
------(Dollars in millions)-----					
1984	\$3,255	\$3,189	97.9	\$3,177	97.6
1985	3,877	3,728	96.2	3,474	89.6
1986	2,730	2,609	95.6	2,197	80.5

^aBased on adjustments made through October 14, 1986.

^bPurchase requests prepared and bids solicited. The Air Force Logistics Command's goal is to commit 100 percent of a fiscal year's funds during the first year of the 3-year authorization period.

^cContracts awarded. The Air Force Logistics Command's goal through fiscal year 1986 was that 85 percent of a fiscal year's funds be obligated during the first year of the 3-year authorization period. For fiscal year 1987 this goal has been changed to 92 percent.

Air Force records show that \$281.3 million in fiscal years 1984 and 1985 funds for aircraft replenishment requirements were used to satisfy fiscal year 1986 requirements. Similarly, \$153.9 million of fiscal year 1986 funds were used to satisfy fiscal years 1987 and 1988 requirements. Our review shows that fiscal years 1986, 1987, and 1988 requirements were reduced by corresponding amounts.

Air Force records also show that \$163.1 million in aircraft replenishment spares funds was deobligated in fiscal year 1986 as a result of the definitization of unpriced contracts. For unpriced contracts definitized in fiscal year 1986, definitized

prices of \$699.3 million were \$163.1 million, or 18.9 percent, lower than the \$862.4 million obligated. Our review shows that the Air Force's updated fiscal year 1987 requirements for aircraft replenishment spares reflect a reduction of \$185 million because of anticipated price reductions at the time of definitization of unpriced contracts.

On the basis of the Air Force's relatively low first year obligation rate for fiscal year 1986 funds; the existence of \$481 million in unobligated fiscal years 1984 and 1985 funds; and the deobligation rate experienced as unpriced contracts are definitized, we believe that the Air Force may have difficulty in fully obligating funds requested for fiscal year 1987 to procure aircraft replenishment spares.

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