

GAO

Briefing Report to Congressional  
Requesters

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September 1993

# 1994 DOD BUDGET

## Potential Reductions to the Operation and Maintenance Programs



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

**National Security and  
International Affairs Division**

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September 16, 1993

The Honorable Daniel K. Inouye  
Chairman, Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable John P. Murtha  
Chairman, Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

The Honorable Earl Hutto  
Chairman, Subcommittee on Readiness  
Committee on Armed Services  
House of Representatives

This report responds to your requests that we review the military services' operation and maintenance (O&M) budget requests for fiscal year 1994. Our objective was to determine whether the O&M accounts should be funded in the amounts requested. We reviewed selected O&M accounts for U.S. Army, Europe (USAREUR); U.S. Forces Command (FORSCOM); U.S. Army Training and Doctrine Command; U.S. Air Forces, Europe (USAFE); Air Combat Command; Air Logistics Command; Air Materiel Command; and the Atlantic and Pacific Fleets. In addition, we reviewed selected accounts at the headquarters level for the Army, Navy, Air Force, National Guard, and Defense activities. In June and July 1993, we provided your staff with the preliminary results of our work. This report summarizes and updates that information.

As shown in table 1, we identified potential reductions and rescissions of about \$6.7 billion to the services' and the Department of Defense activities' fiscal year 1994 O&M budget.

**Table 1: Potential Reductions and Rescissions to the Fiscal Year 1994 O&M Budget Request by Service and Program Category**

Dollars in millions

Category	Army	Navy	Air Force	National Guard	Defense	Total
Unobligated funds (see p. 22)	\$511.9	\$219.1	\$239.0		\$10.3	<b>\$980.3</b>
Budget reserve (see p. 24)		200.0	1,000.0			<b>1,200.0</b>
Burden sharing (see p. 24)	257.6		155.0			<b>412.6</b>
Spare and repair parts (see p. 26)	1,540.0	3.0	783.0	\$70.0		<b>2,396.0</b>
Residual value (see p. 32)	179.8					<b>179.8</b>
Depot maintenance (see p. 33)	1.1	30.2	274.3		0.9	<b>306.5</b>
Operating tempo (see p. 38)	226.0					<b>226.0</b>
Flying hours (see p. 40)	67.5		12.3			<b>79.8</b>
Travel (see p. 42)	148.0	16.3	3.3			<b>167.6</b>
Global initiatives (see p. 45)					98.0	<b>98.0</b>
Transportation (see p. 46)					21.0	<b>21.0</b>
Youth programs (see p. 47)				11.5 <sup>a</sup>		<b>11.5</b>
Composite wings (see p. 47)			1.2			<b>1.2</b>
Training (see p. 48)	28.3		134.2			<b>162.5</b>
Civilian pay (see p. 50)	194.0	55.0	56.2			<b>305.2</b>
Special events (see p. 53)					5.1 <sup>a</sup>	<b>5.1</b>
Repair and maintenance (see p. 54)			35.8			<b>35.8</b>
Underseas surveillance (see p. 54)		12.8				<b>12.8</b>
Counter-drug efforts (see p. 55)					78.6	<b>78.6</b>
Support to morale, welfare, and recreation (see p. 56)		65.0				<b>65.0</b>
<b>Total</b>	<b>\$3,154.2</b>	<b>\$601.4</b>	<b>\$2,694.3</b>	<b>\$81.5</b>	<b>\$213.9</b>	<b>\$6,745.3</b>

<sup>a</sup>Rescission.

As shown in table 1, the potential reductions cover a variety of O&M functions and activities. The primary reasons for the reductions are as follows:

- An excessive amount of funds remain unobligated from prior years' O&M appropriations.
- The budget request for fiscal year 1994 included an amount in anticipation of congressional reductions.
- The amount of funds that the services expect to receive from other countries was not offset against the fiscal year 1994 budget request.

- The services implemented cost-saving recommendations for improving inventory management that are not reflected in the fiscal year 1994 budget request.
- Factors affecting the requested budget amounts changed from the time the budget requests were submitted, and these changed factors reduced the amount of funds needed.
- The services expect to spend less than the amount of funds requested for the specific purposes used to justify the budgeted amount.

The following sections briefly discuss each of the potential reductions shown in table 1. A more detailed discussion is presented in appendix I.

## Unobligated Funds From Prior Years' Appropriations Exceed Needs

From fiscal years 1989 through 1992, the Army, Navy, Air Force, and Defense Mapping Agency had \$1.197 billion of unobligated O&M funds. The unobligated balances of O&M appropriations are not available for new obligations and may only be used for adjustments to existing obligations for the specific fiscal year of the appropriation.

Department of Defense and service officials claim that they need the unobligated balances to satisfy upward adjustments to obligations and to fund the foreign currency fluctuation account and the foreign national employees separation trust fund. By using prior year unobligated balances to fund these accounts, current year funds are freed up for other purposes.

Irrespective of the use of these funds, our review showed that the prior years' unobligated balances continue to increase with each passing year. For example, between September 1991 and April 1993, the unobligated balances for fiscal years 1989 through 1992 increased from \$320 million to \$1.9 billion—an increase of \$81.7 million a month, or about \$980 million a year. This increase indicates that fewer unobligated funds are needed.

On the basis of this, Congress could reduce the fiscal year 1994 O&M request for the Army by \$511.9 million, the Navy by \$219.1 million, the Air Force by \$239 million, and the Defense Mapping Agency by \$10.3 million.

## Budget Requests Include a Reserve for Emerging Requirements and Anticipated Congressional Reductions

The Air Force's fiscal year 1994 O&M budget request included 5.3 percent (\$1 billion) in anticipation of congressional reductions. In planning for the execution of the fiscal year 1994 budget, the Air Force advised its commands to plan for a lesser amount than the amount included in the budget request. Consequently, the budget execution plans are based on the assumption that the budget request of \$19.8 billion will be reduced by \$1 billion.

The Navy's fiscal year 1994 O&M budget request was developed based on requirements identified by the Navy commands. However, the Navy plans to withhold \$200 million as a reserve for emergent requirements. The commands will be asked to develop budget execution plans based on \$200 million less than the budget request.

Because Congress is being asked to approve budget requests that include reserves that may be used for unspecified emergent requirements, Congress may want to reduce the Air Force's and Navy's fiscal year 1994 O&M budget requests by \$1.2 billion.

## Air Force's and Army's Budget Requests Do Not Reflect Anticipated Receipts for Burden Sharing

The Army expects to receive burden-sharing payments from Korea and Japan totaling about \$257.6 million in fiscal year 1994. However, budget documentation in support of the fiscal year 1994 request does not show that the Army reduced its O&M budget request to reflect the anticipated payments. Army officials agreed that the budget presentation documents do not provide full disclosure of the anticipated burden-sharing transactions.

The Air Force's budget request reflects the fact that host countries' burden-sharing contribution should be about \$441 million in fiscal year 1994. Air Force budget officials told us that, on the basis of historical payment data, the Air Force will probably receive about \$269 million rather than the \$441 million. However, the Air Force only reduced its budget request by \$114 million rather than the \$269 million it realistically expects to receive.<sup>1</sup> Its budget request was not reduced by the \$269 million because, in the Air Force's opinion, if it does not receive the \$269 million, it will have to make up the difference from other O&M accounts.

Using a conservative approach, the two services' budget requests should be reduced by \$412.6 million—\$257.6 million for the Army and

<sup>1</sup>The \$114 million represents the increase in burden-sharing requirements from fiscal years 1993 to 1994.

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\$155 million (\$269 million less \$114 million) for the Air Force—to accurately reflect anticipated burden-sharing payments.

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## Budget Requests for Spare and Repair Parts Do Not Recognize Savings Available Through Improved Inventory Management Practices

Budget reductions totaling about \$2.4 billion are possible in the Army's, Air Force's, Navy's, and National Guard's O&M budget requests for spare and repair parts.

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### Army

The Army's O&M budget request for fiscal year 1994 could be reduced \$1.5 billion for the following reasons.

- The Army has overstated its wholesale level requirements at two locations by \$1.6 billion because it (1) has not adjusted its war reserve requirements to reflect its current needs, (2) has included demands in the requirements determination process that should not be included, (3) has not reduced its projected needs by the number of serviceable inventory items returned to the depots, and (4) classified inventory as being needed to meet current requirements when the inventory should have been classified as economic retention inventory—inventory not needed to meet current requirements. The overstated requirements equate to a potential O&M budget reduction of about \$1.1 billion based on a congressionally imposed requirement that the services could replenish only 70 percent of their wholesale-level sales.
- On-order inventory valued at \$364 million is not needed to meet current operating requirements. Congress could make an appropriate adjustment as an incentive for the Army to take actions that would reduce the amount of unneeded inventory.
- An inventory investment of at least \$56 million at its retail activities does not qualify to be stocked at the activities and should be eliminated. Congress could make an appropriate reduction as an incentive for the Army to streamline its inventory stocking practices.

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**Air Force**

The Air Force's O&M budget request could be reduced by about \$783 million for the following reasons:

- The Air Force has excess inventory valued at \$107 million at its retail activities that the wholesale level is not aware of and therefore cannot redistribute to other activities that may have a need for the items. Redistributing the excess items would allow the Air Force to reduce its procurement of items and thereby reduce its need for O&M funds in fiscal year 1994.
- The Air Force had not eliminated invalid inventory back orders valued at \$73 million. Eliminating these back orders would reduce the Air Force's need for a like amount of inventory that it would otherwise have to procure.
- The Air Force double counted back order requisitions in its requirements determination process. Furthermore, the Air Force does not consider on-hand inventory items at its maintenance depots in determining future buy requirements. Correction of these deficiencies would allow the Air Force's fiscal year 1994 request to be reduced by \$203 million.
- The Air Force did not reduce its budget request to reflect terminated contracts for items due in that are no longer needed. In the past, the Air Force has been able to free up an average of \$400 million annually in stock fund obligation authority. However, the Air Force did not reduce its request for stock fund authority by the amount of funds freed up. To compensate for this, the Air Force's O&M request can be reduced by up to \$400 million.

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**Navy**

The Navy could reduce its fiscal year 1994 O&M request by at least \$3 million if it recorded all the inventory at its retail activities on inventory records. The Navy does not know that the inventory exists when it does not keep these records and, therefore, makes unnecessary procurements.

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**National Guard**

The National Guard could reduce its fiscal year 1994 O&M request by \$70 million if it used the active Army's supply system to meet its inventory needs rather than maintaining its own system of supply points. Eliminating these supply points would not affect supply responsiveness to the Guard and would contribute to the Army's overall efforts to establish a single supply system.

## Army's Budget Request Does Not Reflect Receipt of Funds Expected From Installations Turned Back to Host Countries

The Army expects to receive \$142.9 million in residual value payments during fiscal year 1994, and, according to an Army official, it is unsure as to how these funds will be used when they are received. Additionally, the anticipated residual payments are not reflected in the President's budget as an offset to its appropriation request. Therefore, we believe that the Army's O&M appropriation request can be reduced by \$142.9 million.

The Army's budget justification book identified \$28.1 million in residual payments as a source of funds for base support operations. However, the Army did not reduce its appropriation request to reflect the \$28.1 million. As a result, the Army's O&M appropriation request can be reduced an additional \$28.1 million.

Furthermore, the Defense Overseas Military Facility Investment Recovery Account currently contains \$3.4 million for residual payments already received. An additional \$5.4 million of payments has been negotiated with Canada and Italy. The funds in the Defense account can be used as directed by the Secretary of Defense for repair and maintenance of facilities in the United States and overseas.

In total, the fiscal year O&M budget request could be reduced by \$179.8 million to reflect the anticipated payments as well as the payments already received.

## Services' Depot Maintenance Requirements Are Overstated

The services' requests for depot maintenance in fiscal year 1994 can be reduced about \$306.5 million.

The Air Force overstated its needs by \$274.3 million for the following reasons:

- The Air Force included about 4.4 months of workload carryover from fiscal year 1993 even though, according to Air Force budget officials, only a 2.5-month to 3.5-month carryover is needed to ensure a continuation of operations during the transition from one year to the next. The value of the excess carryover for 0.9 months is estimated at about \$203.4 million.

Air Force officials told us that the fiscal year 1993 carryover is now estimated at 3.2 months rather than 4.4 months and, therefore, the budget request should not be reduced. In our opinion, even if the carryover is now 3.2 months, it is still about 0.7 months greater than the minimum amount needed to provide a smooth transition from one fiscal year to the next. For

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that reason, the budget request can still be reduced approximately the same amount.

- Funds (\$28 million) appropriated in fiscal year 1993 for depot maintenance on B-52G aircraft will not be used for that purpose. According to Air Combat Command officials, no depot maintenance will be performed on the aircraft in either fiscal year 1993 or fiscal year 1994.
- Funds requested for fiscal year 1994 for depot level maintenance of reparable items (\$9.4 million) are not needed. Air Combat Command officials told us that requirements for five programs, totaling \$9.2 million, have not been identified even though Air Force headquarters included these funds for the Command in the fiscal year 1994 budget request. For three other programs, totaling \$246,000, the officials could not explain why the programs were included in the budget.
- The Air Force included \$36.6 million for support (maintenance, supply, and operational testing and evaluation) of the B-2 bombers. The commands responsible for providing support to the aircraft have budgeted only \$15.7 million, or \$20.9 million less than the amount requested for fiscal year 1994.
- The Air Force included \$112.2 million for maintenance on TF30 aircraft engines. The revised maintenance requirements for the engine are now \$99.6 million, or \$12.6 million less than requested.

The Navy's request can be reduced by \$30.2 million because the overhaul of five ships for which funds were requested has been deferred until fiscal year 1995.

The Army's request can be reduced \$1.1 million because it routinely overhauls items at two depots when a lesser level of repair would suffice.

Included in Defense's fiscal year 1994 O&M budget request are funds for the U.S. Special Operations Command's testing of six new coastal patrol boats that were to enter the inventory in the fiscal year. The request also included \$3.3 million of operations funds for 10 patrol boats, including the 6 new boats that were to enter the inventory. According to a Navy official, two of the six new patrol boats will not be delivered in fiscal year 1994. Because two of the patrol boats scheduled for delivery will not be delivered, testing and operations funds for the boats will not be needed. In total, we estimate the budget request for fiscal year 1994 can be reduced about \$913,000 (\$436,000 for testing and \$477,000 for operations).

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## Army Units Are Not Training at the Level Funded by Congress

Over the past several years, Congress has fully funded Army ground operating tempo at an annual rate of 800 miles. According to the Army, this level of training is necessary to maintain its ground forces in a ready condition. In its fiscal year 1994 request, the Army again asked for funding at the 800-mile level. Major commands, however, are not funding their units at this level. For example, USAREUR is funding its units at 600 miles, and FORSCOM is funding its units at 720 miles. Review of readiness reports showed that the reduced funding levels had not resulted in units reporting lower readiness rates. For example, the vast majority of the FORSCOM units have maintained a readiness posture that allows them to deploy to meet national security needs.

In view of the fact that the major commands are not funding their units at the operating tempo level for which Congress provided funds, the fiscal year 1994 request could be reduced by \$226 million—\$110 million for USAREUR and \$116 million for FORSCOM.

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## Services' Requests for Flying Hours Exceed Requirements

The Army's and Air Force's flying hour programs can be reduced in fiscal year 1994 by about \$79.8 million. In the Army, we found that the flying hour requirements were overstated by \$67.5 million for the following reasons:

- The Army's requirements are \$44.7 million less than the amount included in the Army's budget request. Army budget officials told us that the reduction is expected to be achieved through increased efficiencies, such as improved maintenance procedures and aircraft that require fewer maintenance hours for each flying hour.
- The Army's budget request included \$10.6 million for flying hours for drug interdiction efforts, when the Army receives funding for the flying hour allocation from the Department of Defense's Drug Interdiction and Counter Drug appropriation.
- USAREUR plans to fly fewer aircraft than the number used to determine the budget requirement, and, historically, the Command has not been able to fly all the hours included in the flying hour program. For these reasons, the Command's program is overstated by \$12.2 million.

The Air Force's flying hour program can be reduced by \$12.3 million because headquarters included in the Air Combat Command's budget 4,133 flying hours that the Command does not plan to fly. The additional hours were part of the Air Force's efforts to increase the aircraft crew ratio for the F-111 aircraft. Command officials told us that they do not plan

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to fly these additional hours because to do so would increase the utilization rate for the particular aircraft by 30 percent and they believe such an increase is unrealistic.

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## Funds for Personnel on Official Travel Can Be Reduced

Personnel in a travel status often stay in on-base housing for which they are charged a fee. Our review showed that personnel staying in Army transient lodging facilities have been overcharged. With regard to Navy personnel, we found that they had been allowed to stay in off-base facilities when on-base facilities were available. In contrast to the policy followed by the Army and the Navy, Air Force personnel and families involved in permanent change-of-station situations are housed in temporary lodging facilities that are supported by appropriated funds. Department of Defense policy provides that the O&M of such facilities be paid for from nonappropriated funds.

The effect of the above actions is that O&M appropriated funds are being used to subsidize facilities that are intended to be operated and maintained primarily with nonappropriated funds or that commands are expending more O&M funds than necessary by allowing personnel to stay in off-base facilities when they could be housed on-base.

We identified a total of \$167.6 million (\$148 million for the Army, \$16.3 million for the Navy, and \$3.3 million for the Air Force) that could be reduced from the services' O&M request for travel funds in fiscal year 1994 if the services adhered to Department of Defense policy regarding fees for transient lodging facilities.

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## Funds Requested for Global Cooperative Initiatives Can Be Reduced

The Department of Defense's fiscal year 1994 O&M budget request includes \$98 million for humanitarian assistance (\$48 million) and disaster assistance (\$50 million) as part of the Global Cooperative Initiatives. The Department has a \$100-million revolving fund that was established to provide up-front funding for providing humanitarian assistance. Therefore, Congress could reduce the Department's Global Cooperative Initiatives request by \$98 million.

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## Transportation Costs Paid to Commercial Transporters Can Be Reduced

Air Force cargo aircraft flying regular overseas missions have an unutilized capacity of about 36 percent. At the same time, low-priority Department of Defense cargo is being transported by commercial surface transportation. The Department could save \$21 million annually in payments to commercial transporters by using the unutilized capacity on its cargo aircraft.

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## Funds Provided for National Guard Youth Programs Could Be Rescinded

The National Guard received \$44 million in fiscal year 1993 to conduct the Civilian Youth Opportunities Pilot Program in 10 states. The National Guard Bureau planned to ask Congress to expand the program to 14 states. At the time we finished our field work in August 1993, Congress had not approved the extension of the program to the additional states. According to Guard officials, if the program is not extended to the additional four states, \$8.5 million will not be needed in the current fiscal year.

The National Guard also received \$3 million for the Urban Youth Corps and Youth Conservation Corps. The Guard does not want to establish these programs in the 10 states that are participating in the Civilian Youth Opportunities Pilot Program. Instead it plans to request congressional approval to establish the programs in 11 other states. As of August, Congress had not approved the Guard's request to establish the programs in the other states. According to Guard officials, the program will not be implemented in the other states, and \$3 million will not be needed in the current fiscal year.

Because Congress has not approved the Guard's request for the program changes, Congress could rescind \$11.5 million of the fiscal year 1993 funds appropriated for National Guard youth programs.

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## Viability of Composite Wing Concept Is Questionable

The Air Force plans to obligate about \$3.7 million of O&M funds during fiscal years 1994 through 1996 to establish composite wings (aircraft of various types) at Mountain Home, Pope, and Moody Air Force bases.

In May 1993, we issued a report that raised concerns about the (1) lack of analysis supporting the decision to build peacetime force projection composite wings, (2) relative utility of the mix of aircraft in these wings, and (3) viability of the concept.

The Air Force believes that the three force projection composite wings represent a significant enhancement over current deployment capabilities, responsiveness, and military effectiveness. Additionally, the Air Force believes that military judgment and the operations of analogous composite forces are a sufficient basis for implementing the composite wing concept.

Until the benefits of force projection composite wings have been analyzed and the above concerns resolved, Congress may not want to approve any additional funding for the composite wing concept. If so, Congress can reduce the Air Force's fiscal year 1994 O&M request by \$1.2 million.

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## Request for Training Funds Can Be Reduced

The Air Force and the Army can reduce their fiscal year 1994 O&M budget requests for pilot training and Reserve Officer Training Corps (ROTC) by \$162.5 million.

The Air Force is training more pilots than it needs and is incurring unnecessary costs. More pilot candidates are being sent through the Undergraduate Pilot Training program than are needed to fill available cockpit assignments. As a result, about half of the pilots completing the program are temporarily assigned nonflying positions. This is referred to as "banking" pilots. These banked pilots may remain in nonflying positions for up to 3 years.

According to the Air Force, 503 pilot candidates who are scheduled to enter the pilot training program between August 1993 and fiscal year 1995 are expected to be banked. The Air Force will spend \$273.7 million to train these pilots. Of the 503 pilots, 229 will receive their pilot training in fiscal year 1994 at a cost of \$131.1 million. Congress can direct the Air Force to delay sending the pilot candidates to Undergraduate Pilot Training and reduce the Air Force O&M budget by the \$131.1 million.

In discussing this issue with Air Force officials, they told us that the Air Force had revised its plans so that all pilot candidates entering Undergraduate Pilot Training in fiscal year 1994 will have flying positions upon graduation. The revised plans include assigning a third pilot to tanker aircraft and increasing the air crew ratio. However, they did not provide documentation to support these changes. For these reasons, we believe that the Air Force O&M request can still be reduced.

The Army may also be training more pilots than it needs. The Army plans to spend \$257.4 million in fiscal year 1994 to provide undergraduate

training to 2,299 pilots and graduate training to 2,122 pilots. In July 1993, the Army revised its fiscal year 1994 force structure requirements downward by 693 aircraft—an 11-percent reduction. Accordingly, we believe that the Army can reduce its pilot training requirements by 11 percent, or about \$28.3 million.

With regard to ROTC scholarships, the Air Force has requested an increase of 164 scholarships in fiscal year 1994 over the fiscal year 1993 baseline of 3,019 scholarships. These additional scholarships will cost about \$3.1 million. The Air Force's justification for the increase was that 1,600 ROTC graduates would be commissioned into the service in fiscal year 1994 as compared with 1,515 in fiscal year 1993. After the budget was submitted, the number of ROTC graduates that will be commissioned in fiscal year 1994 was revised downward to 1,350. The downward trend in the number of graduates expected to be commissioned does not justify an increase in the number of scholarships. Therefore, the \$3.1 million increase requested for additional ROTC scholarships will not be needed.

## Funds Requested for Civilian Personnel Are Overstated

The Army's, Navy's, and Air Force's fiscal years 1994 budget requests for civilian personnel can be reduced by a total of \$305.2 million due to the following reasons:

- The Army's budget request for civilian personnel is overstated by \$194 million. Documentation submitted to Congress in support of the President's budget showed that the Army had reduced its civilian personnel requirements to \$7.6 billion—\$194 million less than the amount requested in the budget. Although the requirements were reduced, the total amount of the budget request remained the same. Therefore, the budget request includes \$194 million of budget authority that is not represented by specific programs.

According to an Army budget official, the difference between the \$7.6 billion and the \$7.8 billion is because of timing. The official said that the President's budget is due to the Office of the Secretary of Defense and Congress prior to final adjustments being made to the Army's data base. As adjustments occur, disconnects between the President's budget submission and justification books increase.

- At the end of fiscal year 1993, the Navy's O&M civilian personnel end strength is estimated to be 3,337 personnel less than what was planned and used to develop the budget request for fiscal year 1994. Whenever the

actual end strength is less than planned, the following year's work-year level is adjusted by one-half of the amount by which the actual number was lower than the planned number. Accordingly, the fiscal year 1994 work-year level used in determining the budget request was overstated by 1,668.5 work years or about \$55 million.

- The Air Force's request can be reduced by \$56.2 million. In the fiscal year 1993 Defense Appropriations Act, Congress included a provision that reduced the number of overseas civilian personnel positions that could be funded by 25 percent. The intent of this provision was to encourage overseas commands to obtain funding from the host country. In fiscal years 1992 and 1993, the USAFE funded foreign national pay at 70 percent of the total requirement. In its fiscal year 1994 budget submission, the Air Force requested funding for 70 percent of USAFE's foreign national pay requirement. After the budget submission, the Air Force added \$56.2 million to the USAFE budget to increase its foreign national pay account to \$142.6 million—94.7 percent of the requirement. Because Congress' intent seems to be to reduce funding for foreign national personnel, Congress may want to reduce the Air Force's budget request by \$56.2 million to return it to the 70-percent level.

## All the Funds Appropriated for Special Events Are Not Needed

In fiscal years 1992 and 1993, Congress provided \$22 million for Department of Defense support of international special events such as the 1993 World University Games, the 1994 World Cup Games, and the 1996 Olympics. The Department's support to these events is supposed to be for security-related devices, equipment, and services that are unique to the Department and not available from other sources. However, the types of equipment provided by the Department—fences, detection devices, and others—are not unique to the Department and are generally available from other sources.

Of the \$22 million appropriated, the Department expects to spend \$8.8 million by the end of the current fiscal year and about \$8.1 million in fiscal year 1994, leaving an unobligated balance of \$5.1 million. No additional funds were requested by the Department for fiscal year 1994, but it plans to seek congressional approval to extend the availability of unobligated funds until they are expended.

Officials responsible for providing Department of Defense support told us that they do not request reimbursement from event sponsors for the security equipment and services provided because Congress appropriated the funds for use in the special events. The officials said, however, that if

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Congress mandated that they seek reimbursement from the event sponsors, they would do so.

The types of equipment provided by the Department—fences, detection devices, and others—are not unique to the Department and are generally available from other sources. Therefore, Congress may want to rescind the unobligated balance of \$5.1 million and consider authorizing the Department to seek reimbursement from the event sponsors for items already provided.

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## Repair and Maintenance Funds Requested for a Base Expected to Be Closed

In June 1993, the Defense Base Closure and Realignment Commission identified Plattsburgh Air Force Base for closure. The Air Force's fiscal year 1994 budget request included about \$3.1 million for major repairs and minor construction projects at the base. In view of the fact that the base is scheduled to be closed, Congress may want to reduce the Air Force's request for repair and maintenance funds by \$3.1 million. The Air Force's fiscal year 1994 O&M budget request also included \$115.7 million for real property repair and maintenance at USAFE for utilities, contract engineering, maintenance and repair, and minor construction. Of this amount, the Command plans to spend \$83 million for these purposes. The remaining \$32.7 million will be used for purposes other than real property maintenance. Because the Command does not plan to use the funds for the purposes for which they were budgeted, Congress may want to reduce the Air Force's O&M budget by \$32.7 million.

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## O&M Support for Sound Surveillance System Exceeds Needs

The Sound Surveillance System (SOSUS) is an underwater acoustics system used to track enemy submarines. In fiscal year 1993, \$129.4 million of O&M funds was apportioned to SOSUS.

Our analysis showed that the program manager's estimated funding level for the program in fiscal year 1994 was \$12.8 million less than what was included in the budget request. Program officials agreed that the system was overfunded but said that the funds would be used for unfinanced requirements. In a May 1993 report, we had previously questioned the projected O&M funding level for fiscal years 1993 and 1994 in view of the reduced threat. Program officials told us that although they have consolidated portions of the system, they planned to upgrade the technology of the system and were attempting to identify other requirements for it—such as tracking migrating whales.

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Because all of the funds are not needed to operate and maintain the SOSUS system, Congress may want to reduce fiscal year 1994 O&M funding for SOSUS by \$12.8 million.

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## The Value of Flying Hours and Steaming Days for Drug Interdiction Efforts Are Questionable

Each year the Department of Defense allocates flying hours and steaming days to the services as part of its effort to interdict drugs entering the United States. However, the flying hours and steaming days do not significantly contribute to meeting the training needs of the services. Our draft report sent to the Department of Defense for comment in August 1993 concluded that because goals have not been established to measure the effectiveness of the drug interdiction efforts, it is unclear whether the additional flying hours and steaming days are making a proportional increase in the military's contribution to the war against drugs.

The Department considered fiscal year 1990 as the optimum level for its drug interdiction efforts. However, since that time the amount of resources directed to drug interdiction has continued to increase. We believe that the number of flying hours and steaming days devoted to drug interdiction efforts can be reduced to the fiscal year 1990 level. The proposed reductions would not seriously impair the war on drugs because it would eliminate flying hours and steaming days that are allocated to inefficient routine surveillance patrols. Reducing the flying hours and steaming days to the fiscal year 1990 level would allow Congress to reduce the amount of resources devoted to such efforts by \$78.6 million.

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## Appropriated Fund Support for Nonappropriated Fund Activities

The Navy included \$65 million in its fiscal year 1994 O&M budget request for support of morale, welfare, and recreation (MWR) programs. This would free up nonappropriated funds which would be used to fund (1) construction of MWR facilities, (2) local MWR projects that are not eligible for funding from the central MWR fund, and (3) MWR projects that do not generate sufficient revenue to pay the cost of operation.

Specific use of \$23.5 million of the \$65 million is to pay the salary costs of 971 MWR employees who are to be converted to O&M employees. Many of these personnel positions are in physical fitness and sport facilities. Shifting the MWR personnel costs to O&M frees up MWR funds for other purposes.

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At the present time, the Department of Defense is reviewing MWR projects to determine which should be funded with O&M funds. As of August 1993, the Department had not reached a decision. In view of the questionable nature of the use of O&M funds for MWR projects, Congress may want to reduce the Navy's O&M budget request by \$65 million.

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We discussed the aforementioned issues with responsible program officials during the course of our review and included their comments where appropriate. Our objectives, scope, and methodology are described in appendix II. We plan no further distribution of this report until 15 days after its issue date, unless you publicly announce its contents earlier. At that time, we will send copies to the Secretaries of Defense, the Army, the Navy, and the Air Force; the Director of the Office of Management and Budget; the Chairmen and Ranking Minority Members of the House and Senate Committees on Appropriations and on Armed Services; and other interested congressional committees. Copies will be made available to others upon request.

This report was prepared under the direction of Mark E. Gebicke, Director, Military Operations and Capabilities Issues, who may be reached on (202) 512-5140 if you or your staff have any questions. Other major contributors to this report are listed in appendix III.



Frank C. Conahan  
Assistant Comptroller General

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**Abbreviations**

DOD	Department of Defense
FORSCOM	U.S. Forces Command
GAO	General Accounting Office
IUSS	Integrated Undersea Surveillance System
MWR	morale, welfare, and recreation
NATO	North Atlantic Treaty Organization
O&M	operation and maintenance
OPTEMPO	operating tempo
ROTC	Reserve Officer Training Corps
SOSUS	Sound Surveillance System
TDY	temporary duty
UPT	undergraduate pilot training
USAFE	United States Air Forces, Europe
USAREUR	United States Army, Europe

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# Potential Budget Reduction Issues

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## Prior Year Unobligated Funds

Unobligated balances change continuously as adjustments are made to prior year obligations. These adjustments include increases or decreases in travel costs, utility estimates, price changes, contractor defaults, and foreign currency fluctuations. The unobligated balances of operation and maintenance (O&M) appropriations that have expired (usually after 1 year) are not available for new obligations and may be used only for adjustments to existing obligations for the specific fiscal year of the appropriation. For example, the funds from fiscal year 1991 may be used only to accommodate an increase to a fiscal year 1991 obligation. The unobligated balances may be carried forward for 5 years for adjustments.

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## Results of Analysis

Our review shows that the unobligated balances for the Army, the Navy, the Air Force, and the Defense Mapping Agency are \$1.9 billion. Although the services claim they need unobligated balances to satisfy upward adjustments to obligations and to fund the foreign currency fluctuation account and the foreign national employees separation trust fund, our analysis shows that unobligated balances have been increasing rather than decreasing. For example, at the end of fiscal year 1990, the Navy had \$322,000 of fiscal year 1989 funds that were unobligated. At the end of fiscal year 1991, the unobligated balance of the fiscal year 1989 appropriation had increased from \$322,000 to \$45.79 million. This trend continued through the end of fiscal year 1992 when the unobligated balance was \$88.08 million. The balance at the end of April 1993 (the most recent figure available) was \$113.24 million. Table I.1 shows that the unobligated balances of all the services follow this trend.

**Appendix I**  
**Potential Budget Reduction Issues**

**Table I.1: Unobligated Balances of the Services and the Defense Mapping Agency**

Dollars in millions					
Service/agency	Fiscal year				Total
	1989	1990	1991	1992	
Army					
Sept. 1990	0	\$19.81	a	a	<b>\$19.81</b>
Sept. 1991	\$71.43	19.81	\$121.79	a	<b>213.03</b>
Sept. 1992	149.86	121.58	285.54	\$127.78	<b>684.76</b>
Apr. 1993	142.75	132.58	535.28	212.88	<b>1,023.49</b>
Air Force					
Sept. 1990	12.00	0	a	a	<b>12.00</b>
Sept. 1991	12.00	47.00	0	a	<b>59.00</b>
Sept. 1992	35.00	72.00	0	0	<b>107.00</b>
Apr. 1993	106.20	98.86	185.35	46.96	<b>437.37</b>
Navy					
Sept. 1990	0.32	214.02	a	a	<b>214.34</b>
Sept. 1991	45.79	31.31	41.30	a	<b>118.40</b>
Sept. 1992	88.08	53.60	113.90	51.32	<b>306.90</b>
Apr. 1993	113.24	86.99	190.65	74.39	<b>465.27</b>
Defense Mapping Agency					
Sept. 1990	b	0.01	a	a	<b>0.01</b>
Sept. 1991	b	0.67	0.01	a	<b>0.68</b>
Sept. 1992	b	3.21	2.89	0.04	<b>6.14</b>
Apr. 1993	b	7.05	8.70	1.23	<b>16.98</b>

<sup>a</sup>Not applicable.

<sup>b</sup>Data not provided.

Unobligated balances are increasing because more obligations are adjusted downward than upward when the obligations are liquidated. While it is impossible to predict the actual increases and decreases in the unobligated balances of a prior year's appropriations, it seems unlikely that the services will need the unobligated balances to meet upward adjustments of obligations. Therefore, Congress could reduce the Army's fiscal year 1994 request by \$511.9 million, the Air Force's request by \$239 million, the Navy's request by \$219.1 million, and the Defense Mapping Agency's request by \$10.3 million. The annual reduction totals \$980.3 million.

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## Navy Budget Reserve

Historically, the Navy holds in reserve about 1 percent of its O&M budget appropriations, which would be approximately \$220 million in fiscal year 1993. The Navy withholds these funds for unexpected requirements that may arise during the budget year. The Navy's O&M budget request, however, does not indicate that any funds will be held in reserve. Instead, the request is based on requirements identified by the Navy commands.

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## Results of Analysis

The Navy's fiscal year 1994 O&M budget request of \$20 billion could be reduced by \$200 million. The Navy, based on requirements identified by the Navy's commands, plans to withhold \$200 million as a reserve for emergent requirements. In effect, the Congress is being asked to approve a budget request which includes about \$200 million in a reserve account for unanticipated requirements.

Congress should have the benefit of full disclosure for the funds it authorizes and appropriates. If during the year the Navy has \$200 million in unexpected requirements, Congress should have the opportunity to assist the Navy in deciding how to fund these unplanned needs.

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## Air Force Budget Reserve

The Air Force expected Congress and the Department of Defense (DOD) to reduce its fiscal year 1994 budget request and therefore developed budget execution plans in anticipation of congressional budget reductions. According to Air Force officials, if the congressional and DOD reductions are less than the 5.3 percent withheld by the Air Force headquarters, the Air Force will use the additional funds to offset unfunded requirements at its commands based on their priorities.

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## Results of Analysis

The Air Force's fiscal year 1994 budget request of \$19.8 billion could be reduced by \$1 billion. In anticipation of congressional and DOD reductions to its budget request, the Air Force withheld 5.3 percent of the amount requested for fiscal year 1994 and instructed its commands to develop their budget execution plans based on \$18.8 billion—\$1 billion less than the budget request. Because the Air Force plans to execute its fiscal year 1994 O&M programs based on a funding level of \$18.8 billion, it apparently believes that it can function without the extra \$1 billion it has requested.

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## Army Burden Sharing

U.S. allies such as Japan, Korea, and the North Atlantic Treaty Organization nations contribute to the cost of mutual defense. Contributions come in the form of cash, contributions in kind, and exclusions of taxes, customs duties, and fees on local purchases and activities of U.S. forces.

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## Results of Analysis

The Army's fiscal year 1994 O&M budget request of \$16 billion could be reduced by \$257.6 million. This reduction includes anticipated burden sharing payments of \$117.8 million from Japan and \$139.8 million from Korea.

According to Army budget office officials, the Army expects to receive \$117.8 million in burden-sharing payments in fiscal year 1994 based on a negotiated agreement with the government of Japan. The Army, however, did not reduce its fiscal year 1994 O&M budget request by \$117.8 million. The Army also expects to receive \$139.8 million from the Republic of Korea in fiscal year 1994. Since 1988, the Republic of Korea has provided direct cost-sharing support to the United States and in fiscal year 1991 agreed to assume, by fiscal year 1995, one-third of the costs of maintaining U.S. forces stationed in Korea. Negotiations for the 1994 payment will not begin until fiscal year 1994.

Army officials contend that the anticipated burden-sharing payments were considered in arriving at the amount requested in the budget. However, the officials agreed that the budget documents do not fully disclose the burden-sharing transactions.

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## Air Force Burden Sharing

The Air Force assumed in its fiscal year 1994 O&M budget request that it will receive \$441 million in burden-sharing contributions from U.S. allies. However, historically, host nations do not contribute the full assumed burden-sharing amount. Therefore, DOD is working with the Department of State to seek new burden-sharing arrangements with the allies. As a result of these discussions, the Air Force reduced its budget request for fiscal year 1994 by \$114 million to reflect an increase in burden-sharing contributions.

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## Results of Analysis

Air Force officials believe that it is unlikely the allies will contribute \$441 million for burden sharing. They believe a more reasonable figure is

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\$269 million—\$146 million for foreign national pay, \$109 million for real property maintenance, and \$14 million for utilities.

The officials said that the Air Force reduced its budget request by \$114 million as a matter of practicality.<sup>1</sup> To illustrate, if the Air Force develops its O&M budget assuming full contributions from the allies and receives less, the Air Force is forced to take money from other O&M accounts to make up the difference. According to Air Force officials, it is more practical to use the anticipated burden-sharing estimate (\$269 million) for supporting the O&M budget requirements.

In view of the fact that the Air Force expects to receive \$269 million in burden sharing and has already reduced its request by \$114 million, Congress could reduce the O&M budget request by \$155 million, the difference between \$269 million and \$114 million.

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## Army Operating and War Reserve Requirements for Spare Parts

The Army inventory of spare parts at the wholesale level includes operating stock and war reserve stock. War reserves are items needed to replace combat equipment losses after a war starts. Operating inventory consists of spare parts required to meet day-to-day needs in a peacetime environment. Together war reserve and operating requirements are referred to as the approved force acquisition objective. In addition to approved force acquisition objective inventory, the Army also maintains economic and contingency retention-level inventory.

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## Results of Analysis

Our review at two Army national inventory control points showed that spare and repair parts requirements needed to meet current operating and war reserve needs were overstated by \$1.6 billion.<sup>2</sup> These overstatements resulted because (1) war reserve requirements had not been adjusted to reflect the defense planning guidance, (2) the demand base for determining requirements included nonrecurring demands when only recurring demands should have been considered, (3) items in a serviceable condition that were returned to depots were not offset against demands used in forecasting requirements, and (4) inventory that should have been shown as retention-level inventory was instead shown as being needed to meet current operating requirements.

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<sup>1</sup>The \$114 million represents the incremental increase in assumed burden sharing from fiscal years 1993 to 1994.

<sup>2</sup>Army Inventory: Current Operating and War Reserve Requirements Can be Reduced (GAO/NSIAD-93-119, Apr. 14, 1993).

Overstated requirements do not necessarily result in the inventory being overstated by a like amount. However, the fact that the requirements are overstated would allow the Army to procure inventory up to the requirements levels. Therefore, Congress could reduce the Army's request for spare and repair parts by \$1.1 billion<sup>3</sup> to preclude the Army from buying up to the requirements level.

## Army Excess On-Order Items

Wholesale-level inventories are managed by five inventory control points. Inventory above the approved force acquisition objective is considered as unneeded to meet current operating and war reserve requirements. As of September 30, 1992, the Army's wholesale inventory amounted to \$19.1 billion, of which \$4 billion exceeded the objective.

## Results of Analysis

According to the Army's budget stratification reports, of the \$4 billion in wholesale inventory that is not needed, about \$364 million of the inventory is on order and due in or is awaiting contract award by the inventory control points (see table I.2). These inventory items are procured with revolving funds, not O&M funds. Nevertheless, the large amount of unneeded inventory is an indication that the amount of funds made available to procure spare and repair parts may be too high. Congress could make an appropriate adjustment as an incentive for the Army to take actions that would reduce the amount of unneeded inventory on order.

**Table I.2: Unneeded Wholesale-Level Inventory by Inventory Control Point (as of September 30, 1992)**

Dollars in thousands

Inventory control point	On contract	Awaiting contract	Total
Armament, Munitions, and Chemical Command	\$29,004	\$6,702	<b>\$35,706</b>
Aviation and Troop Command	71,948	15,660	<b>87,608</b>
Communications-Electronics Command	62,005	4,734	<b>66,739</b>
Missile Command	77,638	8,317	<b>85,955</b>
Tank-Automotive Command	74,988	12,989	<b>87,977</b>
<b>Total</b>	<b>\$315,583</b>	<b>\$48,402</b>	<b>\$363,985</b>

Note: On-order inventory includes inventory that is under contract to be delivered and planned procurements awaiting contract award.

<sup>3</sup>The amount of the proposed reduction is based on a rate of 70 percent that Congress authorized in fiscal year 1993 for replenishing wholesale-level stock.

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## Army Inventories at the Retail Level

The Army's authorized inventories at retail-level activities—installations, divisions, and other units—total about \$4 billion in nondemand- and demand-based items. Nondemand-based items are not stocked based on the frequency of demand but rather are stocked at management's discretion. An item must be requested at least nine times during a 12-month period to be stocked at the retail level as a demand-based item. Once a demand-based item is stocked, it must be requested at least three times a year to continue to stock it.

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## Results of Analysis

Our review at six Army divisions showed that the divisions were maintaining about \$29 million in inventory items categorized as demand-based items, even though the items did not meet the prerequisite criteria—three requests a year.<sup>4</sup> Also, the quantity of items stocked was excess to the Army's needs. For example, inventory items valued at about \$112 million had inventory turnover rates of less than three times during the year, even though Army policy indicates that demand-based items should turn over eight times a year.<sup>5</sup> Therefore, the investment in inventory was at least twice what it needed to be to meet the Army's needs. Congress may want to reduce the Army's request for spare parts by at least \$56 million as an inducement for the retail-level activities to streamline their inventory stocking practices. The proposed reduction assumes that it would take 2 years for the divisions to reduce their stock levels to the appropriate level.

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## Air Force Inventories at the Retail Level

The Air Force supply system has a wholesale level and a retail level. Air Force policies require wholesale item managers to have visibility over retail-level assets so that they can (1) reduce or eliminate procurements when retail activities have excess items and (2) improve operational readiness by redistributing items directly from retail activities that have excesses to those that have shortages. Air Force automated systems usually give wholesale managers visibility over relatively high-cost items that are returned to wholesale depots for repair but not over consumable items and low-cost equipment managed through the Systems and General Support Divisions of the Air Force Stock Fund. Visibility over these items is limited to periodic reports of excess.

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<sup>4</sup>Army Inventory: Divisions' Authorized Levels of Demand-Based Items Can Be Reduced (GAO/NSIAD-93-09, Oct. 20, 1992).

<sup>5</sup>Army policy allows divisions to maintain an inventory level equal to 45 days of supply. This stock level, in effect, means that the inventory items should turn over eight times a year.

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## Results of Analysis

We reported that Air Force retail-level activities had about \$107 million of excess inventory on order that the wholesale level was not aware of.<sup>6</sup> As a result, excess items have not been distributed to other activities that may have had a need for them. Limited visibility over retail excess inventory is illustrated by the fact that the wholesale level has been buying items, valued at \$32 million, that were excess at the retail activities. Congress could reduce the Air Force's request for spare parts by \$107 million because the excess parts could be redistributed to other retail-level activities having a need for the items and therefore reduce procurement of these items.

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## Air Force Invalid Back Orders

When units make requisitions that cannot be filled, the item is placed on a back order. If it is later determined that the requisitioned material is not needed but the requisition is not canceled, the item continues to be shown as a valid need.

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## Results of Analysis

An ongoing assignment has shown that the Air Force could reduce its need for O&M funding to buy spare parts by at least \$73 million if it canceled invalid back orders. The Air Force units do not do a good job of validating their outstanding back orders for repair parts. On a sample basis, we found that outstanding requisitions for items valued at \$73 million were, in fact, no longer needed by the units that submitted the original requisitions. As a result, the Air Force's need for O&M funds to buy these items could be reduced by that amount.

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## Air Force Duplicate Back Orders

The Air Force manages about 400,000 aircraft consumable items ranging in cost from a few cents to thousands of dollars each. For fiscal year 1993, the Air Force forecasted requirements for consumable items valued at about \$4.5 billion. To satisfy this requirement, the Air Force is buying or plans to buy \$1.8 billion of consumable items. The remainder will be satisfied by assets already on hand.

In July 1991, we recommended that the Air Force achieve procurement savings by (1) eliminating the double counting of requirements on back order and (2) considering on-hand depot maintenance assets in its

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<sup>6</sup>Air Force Logistics: Improved Redistribution of Retail Inventories Needed (GAO/NSIAD-91-165, July 10, 1991).

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procurement computations.<sup>7</sup> The Senate Appropriations Committee stated in its report on the fiscal year 1992 Department of Defense Appropriations Act that it expected the Air Force to implement our recommendations.

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## Results of Analysis

Contrary to directions of the Senate Appropriations Committee, the Air Force did not change its consumable items requirements determination process. If these changes had been made, the Air Force could have reduced its requirements by \$508 million and its procurement by \$203 million.<sup>8</sup> Therefore, Congress may want to consider offsetting the \$203 million procurement savings that could have been achieved against the Air Force's fiscal year 1994 O&M budget request.

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## Air Force Excess On-Order Items

The Air Force Materiel Command and its five air logistics centers use standard computerized systems to compute material requirements. Each computation cycle, these systems identify on-order material that exceed requirements. Item managers review these computations and, after correcting any errors, perform an analysis to determine whether it is more economical to terminate orders or to accept delivery of the material.

When the Air Force terminates a contract for material not needed, it notifies the contractor to stop production and determine final settlement charges. However, negotiating final settlement charges can take 1 to 2 years. At that time, the Air Force deobligates contract funds that will not be needed to cover the settlement charges. The stock fund is reimbursed by O&M funds for the purchase of aircraft items. These deobligated funds are available to the Air Force to satisfy other procurement requirements.

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## Results of Analysis

Our draft report has concluded that the Air Force is terminating more on-order items no longer needed, but it is not making use of the increased availability of deobligated funds from contract terminations to reduce its annual stock fund budget and is not determining the impact on O&M funding requests. The Air Force deobligated about \$400 million in stock funds in fiscal years 1991 and 1992. When the Air Force seeks annual stock fund obligation authority, it does not consider the additional obligation authority that is created by contract terminations. Because Air Force units

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<sup>7</sup>Air Force Requirements: Requirement Computations for Aircraft Consumable Items Can Be Improved (GAO/NSIAD-91-201, July 10, 1991).

<sup>8</sup>Air Force Requirements: Cost of Buying Aircraft Consumable Items Can Be Reduced by Millions (GAO/NSIAD-93-38, Nov. 18, 1992).

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use O&M funds to procure items from the stock fund, Congress may wish to consider reducing the Air Force's O&M request by \$400 million and having the stock fund transfer a like amount to the service's O&M account.

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## Navy Unrecorded Inventories

The Navy prohibits its depots from accumulating material that is not recorded on inventory records. Unrecorded material results when maintenance personnel retain material that was issued, but not used, to complete repair jobs. Unrecorded inventory weakens internal controls and results in waste when additional material is purchased to meet other requirements that could have been met with the unrecorded material.

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## Results of Analysis

We reported that Navy wholesale-level depots had about \$3 million in inventory that was not recorded on its inventory records and therefore was not available for issue to customers.<sup>9</sup> In addition, there was an immediate need for \$392,000 of the unrecorded inventory by Navy customers. Until that inventory is recorded on inventory records, requests for like items will have to be purchased even though the request could be met from the unrecorded inventory. Therefore, the Navy's request for spare parts could be reduced by \$3 million to reflect the fact that more inventory is available for issue than Navy management officials are aware of.

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## National Guard Reduced Inventories

The Army National Guard maintains about \$215 million in retail inventory at its 54 U.S. Property and Fiscal Offices. This inventory is used to fill requests from individual Guard units and maintenance activities. However, in fact, about 70 percent of the Guard's requisitions are sent to the Army's wholesale-level depots to be filled because the Guard either is not authorized to stock the requested items or the Guard does not have the items in stock.

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## Results of Analysis

The Guard's inventory needs could be met by the active Army's supply system. The majority of the Guard's requisitions are already filled directly by the Army, and the majority of the requisitions are not high priority.

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<sup>9</sup>Navy Supply: Excess Inventory Held at the Naval Aviation Depots (GAO/NSIAD-92-216, July 22, 1992).

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We already recommended that the Guard's separate level of inventory be eliminated.<sup>10</sup> This would reduce the Army's investment in inventory by \$215 million. The reduced inventory investment would be a one-time savings that would probably take 3 years to realize. Therefore, Congress could reduce the Guard's O&M request by at least \$70 million. This reduction could serve as an incentive for the Guard to take the actions necessary to achieve a more efficient way of meeting its supply needs.

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## Army Residual Value Payments

Residual value is a negotiated amount that a host country will pay the United States for U.S. investments in the construction or major improvement of facilities that have been used by the United States and are being returned to the host country.

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## Results of Analysis

The Army expects to receive \$142.9 million in residual value payments during fiscal year 1994, and, according to an Army official, it is unsure as to how these funds will be used when they are received. Because the Army could neither identify requirements for the \$142.9 million, and because requirements are not reflected in the President's budget as an offset to its appropriation request, we believe that the Army's O&M appropriation request can be reduced by \$142.9 million.

The Army's O&M budget can be reduced by an additional \$28.1 million because it did not reduce its appropriation request by \$28.1 million in residual value funds it anticipates receiving. The Army's budget justification book identified the \$28.1 million as a source of funds for base support operations. However, the Army did not reduce its appropriation request to reflect the \$28.1 million. As a result, the Army's O&M appropriation request can be reduced by \$28.1 million.

Additionally, DOD officials told us that there is currently \$3.4 million in the DOD Overseas Military Facility Investment Recovery Account<sup>11</sup> and that an additional \$5.4 million of payments has been negotiated with Canada and Italy. Congress may want to direct the Secretary of Defense to use the \$8.8 million to offset its fiscal year 1994 O&M requirements.

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<sup>10</sup>National Guard: Using the Army's Supply System Will Reduce the Guard's Inventory Investment (GAO/NSIAD-93-25, Dec. 9, 1992).

<sup>11</sup>Residual value payments made by host countries are deposited in the DOD Overseas Military Facility Investment Recovery Account. The use of these funds is limited to facility maintenance and repair at military installations in the United States and outside the United States if the Secretary of Defense anticipates the installations will be used for a long period.

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## Air Force Maintenance Workload Carryover

DOD industrial funds are used to finance the operations of industrial and commercial-type activities that provide common services within DOD. The Air Force's depot maintenance industrial fund financed about \$3.8 billion in depot maintenance services through in-house and contract services in fiscal year 1992. The workload carryover in this fund, which was about \$800 million at the end of fiscal year 1987, is projected to be \$1.5 billion at the end of fiscal year 1993. The carryover equals the estimated cost to complete ongoing work plus the cost of funded work that has not been started.

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## Results of Analysis

Air Force officials stated that some carryover work is needed to ensure a continuous flow of work from one year to the next. Although the Air Force did not provide a precise estimate of the required carryover, officials estimated the requirement at 2.5 months to 3.5 months of the average annual revenue (about \$4.1 billion for fiscal year 1993). Using projected revenue and projected carryover, carryover at the end of fiscal year 1993 will represent about 4.4 months of work.

According to Air Force officials, the most revenue is generated in September. Also, funds remaining at the end of a fiscal year are obligated to the depot maintenance industrial fund to avoid letting the funds expire, even though the work will not be done until a later fiscal year.

In fiscal year 1993, the House Armed Services Committee (H. Rept. 527, 102nd Congress) took the position that there was little point in providing funds for work that would not be accomplished in the fiscal year for which they are appropriated. Previously in 1982, the House Appropriations Committee stated that the funding provided to industrial fund customers should be consistent with the industrial funds' ability to do the work.

Even after allowing for a carryover of 3.5 months, the depot maintenance industrial fund will have about \$290.5 million more than required to ensure continuous operations. Since about 70 percent of the revenue for the fund is from the Air Force O&M account (either directly or indirectly through the stock fund), Congress could reduce the Air Force O&M budget request by at least \$203.4 million (70 percent of \$290.5 million). This amount represents the 0.9-month carryover that is excess to the projected requirement to ensure continuous operations and that will be funded by the Air Force's O&M account.

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In commenting on this matter, Air Force officials told us that the fiscal year 1993 carryover is now estimated at 3.2 months rather than 4.4 months and, therefore, the budget request should not be reduced.

In our opinion, even if the carryover is now 3.2 months, it is still about 0.7 months greater than the minimum amount needed to provide a smooth transition from one fiscal year to the next. For that reason, the budget request can still be reduced approximately the same amount.

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## Air Force Cancellation of B-52G Maintenance

The B-52 has been a substantial element in the Air Force's bomber inventory since 1959. Two versions are in service today: the B-52G and the B-52H. The B-52H, an improved version of the B-52G, has an increased range and improved defensive armament. With the deployment of the more technically advanced B-1 bomber and the development of the B-2A, the role of the B-52 is declining. The Air Force plans to retire the B-52G at the end of fiscal year 1994 and retain the B-52H.

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## Results of Analysis

In fiscal year 1993, Congress appropriated about \$28 million for program depot maintenance for the B-52G. According to Air Force officials, program depot maintenance is not planned for B-52Gs in fiscal years 1993-94, and the \$28 million will be used to meet other maintenance requirements. Since the Air Force has no plans to do program depot maintenance on the B-52G in fiscal year 1993, the \$28 million could be rescinded or offset against the Air Force's fiscal year 1994 O&M request.

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## Air Force Depot Maintenance Requirements

The Air Force included \$9.4 million in its fiscal year 1994 O&M budget request for depot maintenance programs for the Air Combat Command. However, the Command did not include these programs for the budget amounts in its budget execution plans for fiscal year 1994.

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## Results of Analysis

Air Combat Command officials told us that even though the Air Force included \$9.2 million in the budget request for five of the program elements for depot-level reparable maintenance, the Command has not identified maintenance requirements for these funds. In addition, Command officials could not explain why the President's budget included funding for the other three program elements totaling \$246,000. As a result, it does not plan to use the funds for the purposes for which they were budgeted. Since the Air Combat Command has not identified a depot

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maintenance requirement for the \$9.4 million, Congress could reduce the Air Force's O&M budget by a corresponding amount.

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## Air Force B-2 Maintenance Support

The Air Force will take delivery of its first four operational B-2 bombers in fiscal year 1994. The Air Force requested \$36.6 million in its fiscal year 1994 O&M budget to support the B-2 aircraft (maintenance, supply, and operational test and evaluation). These costs will be incurred by the Air Combat Command, the Air Force Materiel Command, and the Air Force Operational Test and Evaluation Center.

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### Results of Analysis

Although the Air Force has requested \$36.6 million to support the B-2 during fiscal year 1994, the Air Force commands have budgeted only \$15.7 million for fiscal year 1994 for support of the B-2. Therefore, Congress could reduce the Air Force's fiscal year 1994 O&M budget by \$20.9 million.

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## Air Force TF30 Engine Maintenance

Production of the F-111 aircraft began in the mid-1960s, and the Air Force plans to maintain some F-111s in the active inventory until 2017. Because of problems experienced with the F-111F TF30-111 engines during Operation Desert Storm, the Air Force plans to remanufacture the engine. The TF30-109 engines are being repaired under the two-level maintenance program being established in fiscal year 1993. Under this program, intermediate-level maintenance will be moved from bases to depots.

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### Results of Analysis

The Air Force's fiscal year 1994 O&M budget request includes \$112.2 million to support maintenance on TF30 engines. However, revised fiscal year 1994 maintenance requirements show that the Air Force plans to use only \$99.6 million—\$12.6 million less than the figure in the budget request. Air Staff officials agreed that funds for specific program requirements may change after budget submissions. They said, however, that any funds not needed for the TF30 program could be used for unfunded requirements. Tables I.3 and I.4 show the breakout of the maintenance funding requested and the revised maintenance requirements.

**Appendix I  
Potential Budget Reduction Issues**

**Table I.3: Fiscal Year 1994 Air Force O&M Budget Request for TF30 Engine Maintenance**

Dollars in millions		
Maintenance	Number of engines	Funding
Minor	17	\$5.8
Remanufacture	117	90.4
Contingencies	a	0.9
Two-level maintenance	41	15.1
<b>Total</b>	<b>175</b>	<b>\$112.2</b>

<sup>a</sup>Unknown.

**Table I.4: Revised TF30 Engine Maintenance Requirements**

Dollars in millions		
Maintenance	Number of engines	Funding
Minor	0	0
Remanufacture	103	\$79.6
Contingencies	a	0.9
Two-level maintenance	52	19.1
<b>Total</b>	<b>155</b>	<b>\$99.6</b>

<sup>a</sup>Unknown.

Because the Air Force has requested funds not needed, Congress could reduce the Air Force's fiscal year 1994 o&m request by \$12.6 million.

## Navy Deferred Ship Maintenance

The ship depot maintenance program finances the overhaul of naval ships and other maintenance activities. Ships are scheduled for depot-level maintenance in advance of their arrival dates. One reason for advanced scheduling is so that material can be ordered and on hand when the ship arrives at the shipyard.

## Results of Analysis

The Navy's fiscal year 1994 o&m request includes \$30.2 million for maintenance of ships whose scheduled maintenance has been canceled or rescheduled to fiscal year 1995, as shown in table I.5.

Table I.5: Ship Maintenance Changes for Fiscal Year 1994

Dollars in millions		
Ship	Status	Amount
AD 37	Rescheduled	\$5.7
LKA 114	Canceled	4.9
LPD 7	Rescheduled	6.0
LSD 43	Rescheduled	5.2
SSN 672	Rescheduled	8.4
<b>Total</b>		<b>\$30.2</b>

Since the funds are not needed for the ships for which they were budgeted, Congress could reduce the Navy's O&M budget request by \$30.2 million. Ship maintenance officials at the Pacific Fleet agreed that the fiscal year 1994 funds are no longer needed for the maintenance of these specific ships. However, they said the Fleet could use the funds to reduce backlogged maintenance.

## Army Depot Maintenance

Depot repair programs generally consist of three categories: overhaul, inspection and repair, and modernization and conversion. Overhaul programs involve the complete rebuilding of a weapon system or major component. Inspection and repair programs involve inspecting an item and repairing only what is needed. Modernization and conversion programs involve changing and upgrading systems and components to meet specific needs.

## Results of Analysis

In 1992, we reported that items were being routinely overhauled at two Army maintenance depots even when a lesser level of repair would have sufficed.<sup>12</sup> The items were not inspected to determine what repairs were necessary. Instead, they were submitted for complete overhauls. One of the depots performed a limited test and found that it could reduce maintenance costs by \$1.1 million annually if it inspected items and performed only those repairs that were necessary to return the items to service.

Although we could not project the results of our review Army-wide, the conditions found at the two depots could be a systemic problem throughout the Army. Therefore, the Committee could reduce the Army's request for depot maintenance funds in fiscal year 1994 by at least

<sup>12</sup>Army Maintenance: Savings Possible by Stopping Unnecessary Depot Repairs (GAO/NSIAD-92-176, May 5, 1992).

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\$1.1 million as an incentive for the Army to use its maintenance resources more prudently.

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## DOD Coastal Patrol Boats

The U.S. Special Operations Command, a unified command, is responsible for training, maintaining, and providing special operations forces to support contingency plans developed by five regionally oriented commands. To this end, the Command buys and supports a variety of equipment, including Navy boats and ships.

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## Results of Analysis

Congress could reduce the U.S. Special Operations Command's fiscal year 1994 O&M budget request by \$913,000. According to budget documents, the Command was to receive 6 patrol boats in fiscal year 1994, bringing the total number to 10. However, according to a Navy official, two of these boats will not be delivered in fiscal year 1994. The Command's budget included \$1.3 million to complete tests on the patrol coastal boats. These tests are required prior to their participation in fleet exercises or taskings. Therefore, the fiscal year 1994 request for these tests could be reduced \$436,000.

Furthermore, the Command included \$3.3 billion for boat operations. Because operating costs for boats entering the fleet during the fiscal year are included based on one-half year's annual operating cost and because two of the planned 10 ships will not arrive until after fiscal year 1994, the Command's budget could be reduced \$477,000.

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## Army Operating Tempo at U.S. Army Europe

Costs for ground operating tempo (OPTEMPO) include certain fixed costs and the costs of fuel and spare parts associated with operating tactical vehicles and other military equipment at a specified usage rate (miles or hours) in order to achieve or sustain a prescribed level of readiness. The Department of the Army calculates the amount necessary to operate its vehicles and equipment using its Training Resource Model, which multiplies the cost per unit of usage by the number of authorized pieces of equipment and then by the number of miles or hours. For example, if fuel and spare parts cost \$1.50 per mile and a command has 1,000 vehicles that it plans to operate 500 miles each during the year, the estimated ground cost for the vehicles is \$750,000.

Results of Analysis

Our review indicated that the fiscal year 1994 budget for OPTEMPO for U.S. Army, Europe (USAREUR) could be reduced by \$109.8 million. The potential reduction comprises two separate aspects: (1) a \$62.4-million potential reduction based on unit drawdown estimates and (2) a \$47.4-million potential reduction based on different training levels.

OPTEMPO Costs Associated With Unit Drawdowns

USAREUR documentation states that unit-level collective training ceases 180 days prior to a unit's estimated departure date. The President's budget and USAREUR's stated requirements did not consider about \$62.4 million in reductions in OPTEMPO resulting from USAREUR units leaving Europe in fiscal year 1994. Our analysis of the variable costs (\$252 million) associated with ground OPTEMPO and the unit's estimated departure dates showed that OPTEMPO costs could be reduced by \$62.4 million. We reduced these variable costs by either 100 percent, 75 percent, 50 percent, or 25 percent based on whether the unit will depart the theater in the first, second, third, or fourth quarter of the fiscal year.

OPTEMPO Costs Associated With Different Training Levels

In prior years, the Army has maintained that ground OPTEMPO should be funded at the 800-mile level in order for units to maintain full readiness rates, and Congress has fully funded this requirement. However, since February 1993, USAREUR has been funding its units at a 600-mile level in order to make funds available for other purposes.

We examined readiness reports of units training at the 600-mile level and found that these units were reporting full readiness rates. USAREUR officials stated, however, that readiness cannot be sustained at the 600-mile level and in the long term, they intend to train at the 800-mile level during fiscal year 1994. If USAREUR units trained at the 600-mile level in fiscal year 1994, as it has since February 1993, USAREUR's ground operating tempo could be reduced another \$47.4 million, as shown in table I.6.

Table I.6: Potential Reduction in Fiscal Year 1994 Ground OPTEMPO Budget Request

Dollars in thousands	
Description	Amount
USAREUR training budget at 800-mile level	\$457,999
Potential reduction attributed to drawdown	62,476
Subtotal	395,523
USAREUR training budget at 600-mile level after drawdown	348,095
Potential reduction after drawdown	\$47,428

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## Army Reduced OPTEMPO at Forces Command

The Army's fiscal year 1994 O&M budget request includes \$1.16 billion for ground OPTEMPO at Forces Command (FORSCOM). Army headquarters officials estimate this amount would fund ground OPTEMPO at the traditional readiness benchmark of 800 miles. FORSCOM officials estimate that an OPTEMPO level of 720 to 800 miles allows units to achieve readiness levels in the C1 to C2 range. They consider units reporting C1, C2, or C3 ready to deploy.<sup>13</sup>

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## Results of Analysis

Because FORSCOM units report deployable levels of readiness with a ground OPTEMPO program estimated at 720 to 730 miles, Congress could reduce OPTEMPO funds for the Command. A fiscal year 1994 ground OPTEMPO level of 720 miles equates to \$1.044 billion, or \$116 million less than the Army's budget request. As of August 1993, FORSCOM resource management officials had estimated that Army headquarters would provide additional funding for FORSCOM's fiscal year 1993 ground OPTEMPO, resulting in a program funded at the level of 720 to 730 miles. During most of fiscal year 1993, Army headquarters funded ground OPTEMPO at FORSCOM at about 660 miles.

Our analysis of readiness levels reported quarterly by FORSCOM units from January 1991 through June 1993 showed that the vast majority of units reported deployable levels of readiness and that readiness levels had not decreased during fiscal year 1993.

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## Army Flying Hour Program

The costs of the Army's flying hour program include the cost of fuel and repair parts for its rotary- and fixed-wing aircraft. For fiscal year 1994, the Army requested \$829.4 million for its flying hour program. Included in this amount is \$117.6 million for USAREUR's program for 114,810 flying hours.

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## Results of Analysis

The Army plans to allocate \$784.7 million of the \$829.4 million requested to its commands. An Army official attributes the \$44.7-million difference between the amount requested and the amount it plans to allocate to expected increased efficiency in O&M of the Army's flying hour program. We believe that the \$44.7 million represents a potential reduction to the fiscal year 1994 O&M budget. Also included in the Army's budget request is \$10.6 million for flying hours in connection with its drug interdiction program. This \$10.6 million represents an additional potential reduction

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<sup>13</sup>Commanders' assessment of a unit's training readiness is reported as a "C" rating, ranging from C-1 to C-4, that represents an estimate of the number of days needed for a unit to be fully trained in all mission-essential tasks.

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because DOD has a separate appropriation that is to be used to fund the Army's drug interdiction program.

In addition, USAREUR's flying hour program can be reduced by \$12.2 million. This reduction consists of (1) a \$4.5-million potential reduction based on USAREUR's historic training levels and (2) a \$7.7-million potential reduction based on USAREUR's plan to fly fewer aircraft than the number used in determining the amount in the Army's budget request.

### Past Levels of Flying Hour Training

USAREUR's flying hour documentation showed that since fiscal year 1990, USAREUR flew fewer hours per month than the rate shown in the President's budget. Based on USAREUR's detailed flying hour information, we computed a weighted average of the flying hours executed per month for each type of aircraft. Combining this with cost and aircraft density information, we determined that USAREUR had a flying hour requirement of \$113.1 million, or \$4.5 million less than included in the President's budget for USAREUR.

### Aircraft Attached to Units Affected by Drawdown

The President's budget and USAREUR's stated requirement for flying hours did not consider 107 aircraft attached to units that are scheduled to leave Europe during fiscal year 1994. USAREUR documentation states that all withdrawing units will cease unit-level collective training 180 days prior to the estimated departure date. If the amount included in the President's budget had been computed based on the reduced number of aircraft, the flying hour program could have been reduced \$19 million.

USAREUR officials told us that pilots attached to deactivating units still require training and that USAREUR will require about \$5 million for pilot proficiency. Accordingly, we are recommending a reduction of \$7.7 million, not the full \$19 million as described above. This allows the \$5 million needed for pilot proficiency in fiscal year 1994 and recognizes \$6.3 million, which represents USAREUR's pro rata share of the \$44.7 million proposed reduction due to expected efficiencies in maintenance and operations.

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### Air Force Flying Hour Program

The Air Force's fiscal year 1994 O&M budget request of \$23 million to accommodate a crew ratio change for selected fighter aircraft from 1.25 to 1.40 could be reduced by \$12.3 million. According to Air Force officials, this increase is justified because (1) Desert Storm operations required a crew ratio of approximately 2.0 to meet 24-hour flying taskings and approximately 1.6 to meet one-half-day flying taskings and (2) force structure reductions eliminate the flexibility of using untasked crew to

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augment for crews in combat and other contingencies. In line with the increased ratio, the Air Force programmed 4,133 additional Air Combat Command flying hours for the F-111 aircraft. This increased the Command O&M budget by \$12.3 million based on the projected F-111 flying cost of \$2,984 per flying hour.

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## Results of Analysis

Although the Command supports the increased crew ratio, it does not plan to increase the flying hours for the F-111 in fiscal year 1994. It believes the gradual increase in the number of pilots can be accommodated for 1 year without a flying hour increase. In addition, it believes that a 30-percent increase in the utilization rate for the F-111 is not realistic for fiscal year 1994. Congress may want to reduce the Air Force O&M budget by \$12.3 million because the planned increased crew ratio will not result in additional flying hours at the Air Combat Command.

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## Army Travel Funds

The Army has on-base housing to lodge personnel in a travel status. Some of the facilities known as transient lodging are deemed mission-essential and are used by personnel who are on temporary duty (TDY) for training or other purposes. The transient housing facilities are largely supported with O&M appropriated funds that come from the transient personnel who are charged a fee for using the facilities. Lodging rates for TDY facilities are established at minimum levels to provide for amenities not authorized by appropriated funds. Commanders have the authority to redesignate the use of these facilities when they are no longer needed.

Most bases have guest houses that are used mainly as interim lodging for military personnel and their dependents making a permanent change-of-station transfer. These facilities are not mission-essential and are part of the Army's morale, welfare, and recreation (MWR) fund. Base commanders can set guest charges to generate profits for use by other MWR activities.

In a 1990 report,<sup>14</sup> we reported that some Army installations overcharged the travelers and their home commands an estimated \$70 million for transient housing and used the excess charges to subsidize other MWR activities that are paid for from nonappropriated funds. We recommended that the Army return the excess charges to the O&M account or repay them to the U.S. Treasury.

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<sup>14</sup>Army Housing: Overcharges and Inefficient Use of On-Base Lodging Divert Training Funds (GAO/NSIAD-90-241, Sept. 28, 1990).

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## Results of Analysis

In a recent report,<sup>15</sup> we reported that the Army has not repaid the overcharges that have accumulated from inflated transient housing fees. As of October 1991, the amount had increased to \$157 million. The Army then stopped the practice of diverting funds to MWR nonappropriated accounts and transferred \$34 million to a separate account for transient housing. Therefore, we believe that the excess charges of \$123 million (\$157 million less the \$34 million) that were diverted to and remain in the MWR nonappropriated account can be transferred from the MWR account and be used as an offset to the Army's fiscal year 1994 O&M budget request.

Transient lodging charges continue to be inflated, and as of March 31, 1993, the transient housing account balance had increased to \$40 million. Army officials said that although it is contrary to DOD policy to inflate transient housing fees, base commanders have kept the lodging rates higher to reduce the impact of appropriated funding reductions that support transient housing.

According to the officials, reducing the lodging fee to a more reasonable level should result in annual reductions of about \$20 million. They said that the savings can be realized by policy and procedural changes that (1) direct commanders to reduce and cap lodging service charges, (2) allow for the transfer of excess funds from installation accounts, and (3) preclude and control the practice of commanders to double budget for the same item in both appropriated and nonappropriated accounts. In view of the estimated reduction in lodging fees currently being paid out of O&M funds, we believe that the fiscal year 1994 O&M budget request should be reduced by an additional \$20 million.

During our review of Army transient housing, we also found that two commanders were redesignating TDY facilities to guest houses and then sending TDY personnel to the converted facilities in order to generate funds for other MWR functions. The Army corrected this practice in the United States. However, Army housing utilization and classification reports show that some USAREUR commanders redesignated TDY facilities to guest houses when, in fact, TDY facilities were still needed.

Army housing officials said that the Command should not have reclassified the TDY facilities to subsidize other MWR activities. As a result, these officials estimate that TDY personnel were overcharged an estimated

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<sup>15</sup>Army Housing: Overcharges for On-Base Lodging Have Not Been Repaid (GAO/NSIAD-93-188, Aug. 3, 1993).

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\$5 million. Congress may want to reduce the Army's O&M request for fiscal year 1994 by \$5 million to reflect the reduced need for O&M funds.

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## Navy Travel Funds

The Navy spends millions of dollars each year housing transient personnel who are on official travel status. During our 1991 review of Navy housing,<sup>16</sup> we found that Navy travel costs are higher than necessary due to inadequate management controls that allow the use of more expensive off-base lodging when on-base housing is available. In our report, we recommended that the Navy measure the extent to which travel costs have been affected by authorizing off-base lodging when facilities on base were available.

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## Results of Analysis

In 1992, the Naval Audit Service identified \$16.3 million of annual O&M costs that could be avoided if the Navy strengthens its policies concerning the authorization of off-base lodging. The Navy revised its policies. However, the Navy does not plan to reduce the amount budgeted for travel until fiscal year 1995, even though a Navy housing official acknowledged that lower travel costs will be incurred during fiscal years 1993 and 1994 if this new policy is followed.

In view of the above, Congress may want to reduce the Navy's fiscal year 1994 O&M budget request by \$16.3 million to reflect the savings available by implementing the Navy's lodging policy. Also, if the Navy adheres to this new policy, future budgets should reflect corresponding savings.

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## Air Force Travel Funds

The Air Force operates temporary lodging facilities for airmen and officers undergoing a permanent change of station, individuals visiting service members stationed at the installation, reservists on various types of duty or in a non-duty status, retirees, and others. These facilities are similar to efficiency apartments and are designed to house families for up to 30 days. The Air Force is the only service that designates temporary lodging facilities as mission-essential facilities and maintains them primarily with appropriated funds. According to the Air Force, 33 percent of the occupants of these facilities receive appropriated fund reimbursement for the lodging fee charged.

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<sup>16</sup>Navy Housing: Transient Lodging Operations Need Effective Management Control (GAO/NSIAD-92-27, Oct. 3, 1991).

According to Air Force regulation, when the mission of the Air Force requires a service member to make a permanent change of station, and the member and his/her authorized dependents cannot immediately obtain permanent government or private housing at the new station, the Air Force may use appropriated funds to help support facilities housing the member and dependents until permanent housing is reasonably available.

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## Results of Analysis

The Air Force policy contradicts an August 1987 DOD report to a congressional committee on the recategorization of MWR activities. In its report, DOD designated temporary lodging facilities in support of official travel as Category A (mission sustaining) and other types of temporary lodging facilities as Category C (enhanced community support) or Category D (business). Category C was eliminated in 1990, and all temporary lodging facilities not in support of official travel were classified as Category D. Category A activities are supported almost entirely by appropriated funds, while Category D activities receive very limited appropriated fund support.

Neither the Army nor the Navy provide appropriated fund support for facilities used to house permanent change-of-station families. The Air Force has housed families involved in a permanent change of station in Category C and D facilities, but unlike the other services, the Air Force uses appropriated funds to maintain the temporary facilities.

The Air Force estimates that it will spend \$4.9 million in O&M funds on temporary lodging facilities in fiscal year 1994. Because 33 percent of the usage of these facilities (\$1.6 million) would be reimbursed by appropriated funds, the remaining two-thirds (\$3.3 million) required to maintain these facilities should be paid out of MWR funds rather than O&M funds. Therefore, Congress may want to reduce the Air Force's fiscal year 1994 O&M budget request by \$3.3 million.

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## DOD Humanitarian and Disaster Assistance

In recent natural disasters such as Hurricanes Andrew and Iniki and Typhoon Omar, the armed forces played a major role in providing humanitarian and disaster relief assistance. Providing this assistance cost the forces several hundred million dollars. However, DOD will be reimbursed by the Federal Emergency Management Agency for the costs incurred.

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## Results of Analysis

DOD's fiscal year 1994 O&M budget request of \$98 million for humanitarian assistance (\$48 million) and disaster relief assistance (\$50 million) could be denied. These amounts are included as part of the Global Cooperative Initiatives. Our work on recent disasters, namely Hurricanes Andrew and Iniki and Typhoon Omar, showed that DOD expects to be reimbursed for the expenses incurred for humanitarian and disaster assistance provided during these operations.

DOD also has a \$100-million revolving fund that was established to provide up-front funding for humanitarian assistance. However, there is a lack of clarity within DOD concerning the circumstances under which the fund can be used, that is, domestic and/or international disaster assistance. As a result, little use has been made of the fund. Because DOD is reimbursed for domestic disaster assistance that it provides and a revolving fund already exists, Congress may wish to direct DOD to use this fund for all humanitarian assistance efforts where it can be established that the fund will be reimbursed. If Congress agrees, it can reduce the Global Cooperative Initiatives request by \$98 million.

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## Air Force Unused Cargo Capacity

DOD equips and operates a military airlift capability during peacetime that provides training to meet military requirements during war and contingencies. DOD policy provides that the services will use this airlift capability for overseas movement of goods and materiel when it is available. Such use helps offset the cost of airlift readiness training, thereby reducing DOD's overall transportation costs.

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## Results of Analysis

We have reported that DOD could better coordinate its cargo shipments with available capacity—particularly for lower priority shipments—and save \$21 million annually in payments to commercial transportation carriers.<sup>17</sup> Air Force cargo aircraft flying regular overseas missions continue to operate with substantial amounts of unfilled capacity—about 36 percent. At the same time, large quantities of lower priority DOD cargo was transported overseas by commercial surface transportation at substantial cost.

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<sup>17</sup>Military Airlift: Greater Use of Peacetime Airlift Cargo Capacity Would Reduce Costs (GAO/NSIAD-92-263, Sept. 16, 1992).

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## National Guard Youth Programs

In fiscal year 1993, Congress provided \$44 million for the Civilian Youth Opportunities Pilot Program and \$3 million for the Urban Youth Corps and the Youth Conservation Corps. These programs were established under the authority provided in Public Law 102-484. The authorizing legislation limits the programs to 10 states.

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## Results of Analysis

There is a potential to rescind a total of \$11.5 million from the National Guard's fiscal year 1993 budget for these programs.

The Guard received \$44 million to conduct the Civilian Youth Opportunities Pilot Program in 10 states. According to representatives of the National Guard Bureau, there are sufficient funds to expand the program to 14 states, and the National Guard is requesting congressional approval to expand the fiscal year 1993 program to 4 additional states. According to a National Guard Bureau official, because Congress did not consider expanding the programs, \$8.5 million of program funds are available for rescission.

The National Guard also received \$3 million for the Urban Youth Corps and the Youth Conservation Corps. The Guard does not want to establish these programs in the 10 states that are participating in the Civilian Youth Opportunities Pilot Program. Instead, it is requesting congressional approval to establish these programs in 11 other states. According to a National Guard Bureau official, because Congress did not consider this request, there are \$3 million of program funds available for rescission.

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## Air Force Composite Wings

The Air Force is establishing composite wings composed of various types of aircraft at Mountain Home Air Force Base, Idaho, and Pope Air Force Base, North Carolina. It is also considering establishing a third wing at Moody Air Force Base, Georgia. The purpose for establishing composite wings is to test the conceptual validity of placing a variety of aircraft types and capabilities at one base under one commander.

To establish the two composite wings, the Air Force plans to spend \$143 million and, as of December 31, 1992, had obligated \$27.2 million (\$24.5 million for O&M and \$2.7 million for military construction). Of the remaining \$116 million,<sup>18</sup> the Air Force plans to obligate about \$3.7 million

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<sup>18</sup>The figure includes costs for Pope Air Force Base, Mountain Home Air Force Base, and the Environmental Impact Statement and design costs for Moody Air Force Base. The total does not include future beddown costs for Moody.

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of O&M funds during fiscal year 1994 through fiscal year 1996 (\$700,000 at Mountain Home and Pope and \$3 million at Moody).

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## Results of Analysis

In May 1993,<sup>19</sup> we concluded that insufficient analysis was performed before deciding to build force projection composite wings in the United States. The specific concerns related to (1) lack of analysis supporting the decision to build peacetime force projection composite wings, (2) relative utility of the mix of aircraft in these wings, and (3) the viability of the concept. For example, the Air Force has not established clear criteria validating the concept, nor has it determined all the costs associated with these wings. The report recommended that the Secretary of Defense take no further steps to implement the force projection composite wings until the additional analysis had been conducted.

The Air Force did not concur with our recommendations and stated that it believes that the three force projection composite wings represent a significant enhancement over current deployment capabilities, responsiveness, and military effectiveness. Additionally, the Air Force maintained that military judgment and the operations of analogous composite forces are a sufficient basis for implementing the composite wing concept.

Because of the aforementioned issues, Congress may wish to not authorize or appropriate \$1.2 million of O&M funds, one-third of the O&M funds to be obligated from fiscal year 1994 through fiscal year 1996, until the benefits of force projection composite wings have been analyzed and the unanswered questions resolved.

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## Air Force Pilot Training

As part of U.S. efforts to draw down its military forces, the Air Force is reducing the number of pilots in its force structure. By fiscal year 1995, the Air Force projects that it will need approximately 15,300 pilots, down from about 22,300 in fiscal year 1989.

Air Force pilot candidates receive two types of pilot training. First, they learn to fly during the 1-year Undergraduate Pilot Training (UPT) program. Second, they receive advanced flight training for 2 to 8 months on a particular weapon system. Pilots who complete this training are fully qualified on a weapon system and are then assigned to an operating air

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<sup>19</sup>Air Force Organization: More Assessment Needed Before Implementing Projection Composite Wings (GAO/NSIAD-93-44, May 5, 1993).

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squadron. The Air Force makes a substantial investment in the training of its pilots, spending about \$500,000 per pilot in the UPT program and about \$800,000 per pilot in weapon system training.

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## Results of Analysis

The Air Force's fiscal year 1994 budget request for the UPT program can be reduced by \$131.1 million. According to our draft report sent to DOD for comment in August 1993, the Air Force is training more pilots than it needs and incurring costs unnecessarily. More pilot candidates are being sent through the UPT program than there are cockpit assignments available. As a result, about half of the pilots completing the program are temporarily assigned to nonflying positions (or "banked") before entering weapon system training. These banked pilots may remain in their nonflying positions for up to 3 years.

According to the Air Force, 503 pilot candidates who are scheduled to enter the UPT program between August 1993 and September 1995 are expected to be banked. The Air Force will spend \$131.1 million to send 229 of these pilots to UPT training in fiscal year 1994. We believe the Air Force should delay the entry of these pilot candidates into the UPT program until a sufficient number of cockpit assignments become available in operating air squadrons to absorb new pilots. Therefore, Congress may want to reduce the Air Force O&M budget by the \$131.1 million it will cost to send the 229 pilot candidates to UPT in fiscal year 1994.

In discussing this issue with Air Force officials, they told us that the Air Force had revised its plans so that all pilot candidates entering UPT in fiscal year 1994 will have flying positions upon graduation. The revised plans include assigning a third pilot to tanker aircraft and increasing the air crew ratio. However, they did not provide documentation to support these changes. For these reasons, we believe that the Air Force O&M request can still be reduced.

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## Army Pilot Training

The Army provides basic and advanced flight training to pilots for both its rotary-wing and fixed-wing fleets. The number of aircraft and force structure are key factors in determining the number of pilots to be trained. Basic flight training, known as undergraduate training, is entry-level training usually completed on a UH-1 aircraft. Graduate, or advanced flight training, is used to train Army aviators on systems more advanced than the UH-1, such as the UH-60 Black Hawk or the AH-64 Apache.

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## Results of Analysis

The Army's fiscal year 1994 budget request could be reduced by \$28.3 million. The Army plans to spend \$257.4 million in fiscal year 1994 to provide undergraduate training to 2,299 pilots and to provide graduate training to 2,122 pilots. The number of pilots to be trained is based in part on the number of aircraft expected to be in the fleet in fiscal year 1994. The number of pilots to be trained and the Army's budget request is based on the January 1992 estimate of force structure and aircraft levels for fiscal year 1994.

Since the Army submitted its budget, a new aircraft level and force structure plan has been developed. The new fiscal year 1994 plan, dated July 1993, calls for 693 fewer aircraft, a decrease of 11 percent, from the force structure anticipated when the training budget was prepared. Therefore, the number of pilot candidates could be reduced by a corresponding amount, and the fiscal year 1994 O&M budget request could be reduced by \$28.3 million.

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## Air Force Reserve Officer Training Corps Scholarship

Air Force officers come from four sources: the Air Force Academy, the Reserve Officer Training Corps (ROTC), the Officer Training Squadron, and the Airmen Education and Commissioning Program. ROTC, the largest source of Air Force officers, supplements academic education with military education and training at over 147 colleges across the country.

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## Results of Analysis

The fiscal year 1994 budget request could be reduced by \$3.1 million. The fiscal year 1994 O&M ROTC account reflects an increase of \$3.1 million for 164 scholarships in addition to the fiscal year 1993 baseline of 3,019 scholarships. The Air Force justification for its fiscal year 1994 budget estimate was that 1,600 ROTC graduates will be commissioned into the service in fiscal year 1994 as compared to 1,515 in fiscal year 1993. After the budget was submitted, the fiscal year 1993 figure decreased to 1,350 graduates due to the drawdown within the ROTC program. Since the ROTC program is downsizing to reflect overall trends at DOD, we believe the Air Force is not justified in requesting an increase to augment the ROTC program.

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## Army Civilian Pay

The Army's fiscal year 1994 O&M budget request totaled \$20.3 billion for direct and reimbursable program authority. The \$20.3 billion includes \$7.8 billion to pay full-time, part-time, and intermittent U.S. civilian and direct-hire foreign national employees. Of the \$7.8 billion, \$5.7 billion is to

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be funded from the Army's O&M appropriation as direct programming authority, and the remaining \$2.1 billion is to be funded from anticipated reimbursements to the O&M account.

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## Results of Analysis

Our review disclosed that the Army's budget request for civilian personnel could be reduced by \$194 million because the Army expects actual civilian personnel costs to be less than the amount requested in the President's budget. At the time the President's budget was submitted to the Congress, the Army requested funding authority of \$7.8 billion for civilian personnel. However, documentation subsequently submitted to Congress to support the President's budget showed that the Army had reduced its requirements to \$7.6 billion—a reduction of \$194 million. Although the civilian pay accounts were reduced, the total amount of the budget request remained the same—\$20.3 billion. Therefore, the budget request includes \$194 million of budget authority that is not represented by specific programs.

According to an Army budget official, the difference in civilian pay between the \$7.6 billion and the \$7.8 billion stated in the President's budget submission is because of a timing difference. The official said that the President's budget, which includes personnel data, is due to the Office of the Secretary of Defense and Congress prior to final adjustments being made to the Army's data base. As adjustments occur, disconnects between the President's budget submission and justification books increase. He also said that he could not tell us to what other accounts the \$194 million in civilian pay was reallocated because the budget system does not keep track of individual budget decision changes. Since the civilian pay account was overstated and there is no audit trail on how and where the funds were reallocated, Congress could reduce the Army's budget request by \$194 million.

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## Navy Civilian Pay

The civilian personnel costs are developed using a work-year cost factor for work years as derived from the end strength on board at the end of the prior fiscal year, which is adjusted for additions and reductions to be implemented during the current fiscal year. For example, the fiscal year 1994 personnel costs are based on the budgeted fiscal year 1993 end strength adjusted for programmed changes in fiscal year 1994.

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## Results of Analysis

Because the fiscal year 1993 end strength will be less than planned, the Navy's 1994 O&M budget could be reduced by \$55 million. Based on a review of the Navy's O&M civilian personnel staffing pattern for fiscal year 1993, we estimate that the Navy will have 3,337 fewer personnel on board at the end of the fiscal year than its planned end strength. Whenever the actual end strength is less than the planned, the following year's work year level is adjusted by one-half of the amount by which the actual differed from the planned. Accordingly, the fiscal year 1994 work-year level used in determining the budget request was overstated by 1,668.5 work years or about \$55 million. Navy officials, in commenting on the overstated work-year level, said that \$7.7 million of the \$55 million should be applied to the Bureau of Naval Medicine's budget.

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## Air Force Civilian Pay

Congress included a provision in the fiscal year 1993 Defense Appropriations Act that, according to DOD, reduced the number of overseas civilian personnel positions that could be funded by 25 percent. The intent of this provision was to encourage overseas commands to obtain funding for the remaining personnel positions from the host country. The reduction applied to foreign national civilian personnel as well as U.S. civilian personnel. Although the provision only covered fiscal year 1993, Congress is still interested in the issue of foreign national personnel.

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## Results of Analysis

The Air Force's fiscal year 1994 budget request of \$142.6 million could be reduced by \$56.2 million. During fiscal year 1992 and fiscal year 1993, the U.S. Air Force, Europe, (USAFE) funded foreign national pay at 70 percent of the total requirement. In its fiscal year 1994 budget submission, the Air Force requested \$92.4 million for the USAFE's foreign national pay—70 percent of the requirement.

After the budget submission, the Air Force added \$56.2 million to the budget to increase its foreign national pay account to \$142.6 million, 94.7 percent of the requirement. In view of the fact that Congress' intent seems to be to reduce funding for foreign national personnel, it may want to reduce the Air Force's budget request back to the 70-percent level. If so, the budget request can be reduced as an incentive for the Command to seek funds for foreign national payroll from the host country.

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## DOD's Reduced Funding for Special Events

The Assistant Secretary of Defense (Force Management and Personnel) is responsible for managing DOD's support to international special events. The goal of DOD and the event organizers is to ensure security and safety of all participants, volunteers, spectators, and visiting dignitaries. DOD possesses many security-related assets that can assist communities in staging a safe and secure event.

Congress has provided funds to DOD in support of these events. The focus of DOD support is to loan event organizers security-related assets, such as communications and physical security equipment, when resources are not available from another public or private source. In essence, DOD was to be the source of last resort. Additionally, DOD provides advice and training to event organizers and law enforcement planners.

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## Results of Analysis

At least \$5.1 million in prior years' appropriations could be rescinded. In fiscal years 1992 and 1993, Congress appropriated \$22 million for DOD support of international special events.<sup>20</sup> Of the \$22 million, DOD anticipates spending \$8.8 million by the end of fiscal year 1993, leaving an unobligated balance of \$13.2 million. Rather than requesting additional appropriations for fiscal year 1994, DOD plans to seek congressional approval to extend the availability of unobligated money into fiscal year 1994.

Officials in the Special Events office said that they do not request reimbursement from event sponsors because Congress appropriated the funds for use in the special events. Also, it is questionable that DOD is the source of last resort for some of the equipment and services, such as fences and detection devices, provided because these items do not appear to be unique to DOD.

Congress may want to rescind \$5.1 million of the prior years' appropriations—the difference between the \$13.2 million unobligated balance in fiscal year 1993 and the estimated expenses in fiscal year 1994—because this amount is not needed for estimated expenses through fiscal year 1994. Congress may also wish to require DOD to seek reimbursement from event sponsors for those services and equipment items, such as fences and detection devices, provided by DOD that are not unique to DOD.

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<sup>20</sup>Public Law 102-396, section 9104, gave DOD the authority to carry over 1992 money through fiscal year 1993.

## Air Force Real Property Maintenance at Plattsburgh

Repair and maintenance funds are to be used for major repairs and minor construction projects. The Air Force's budget request for fiscal year 1994 included \$3.1 million for such projects at Plattsburgh Air Force Base, New York. In June 1993, the Defense Base Closure and Realignment Commission identified Plattsburgh Air Force Base as one of the bases to be closed.

### Results of Analysis

Our analysis showed that the Air Force had included major repairs and minor construction projects in its fiscal year 1994 request for repair and maintenance projects totaling \$3.1 million at Plattsburgh. Because the base is scheduled for closure, Congress could reduce the Air Force's request for repair and maintenance funds by \$3.1 million.

## Air Force Real Property Maintenance at USAFE

Real property maintenance funding is used to pay the day-to-day costs of operating, maintaining, and repairing military facilities. The Air Force's fiscal year 1994 O&M budget request included \$115.7 million for real property maintenance activities at USAFE.

### Results of Analysis

Our review showed that USAFE's real property maintenance requirements were overstated by \$32.7 million, as shown in table I.7.

**Table I.7: Overstated Real Property Maintenance Requirements at USAFE**

Dollars in millions

Activity	Budget request	Requirement	Potential reduction
Utilities	\$57.8	\$56.1	\$1.7
Contract engineering, maintenance, repair, and minor construction	39.2	15.6	23.6
Leases	18.7	11.3	7.4
<b>Total</b>	<b>\$115.7</b>	<b>\$83.0</b>	<b>\$32.7</b>

As a result, Congress could reduce USAFE's funding for real property maintenance activities by \$32.7 million.

## Navy Undersea Surveillance

The Navy's Integrated Undersea Surveillance System and one of its components, the Sound Surveillance System (SOSUS), is an acoustic sensor program that collects and processes undersea acoustic data. The system's

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primary purpose is to detect enemy submarine movements. In fiscal year 1993, \$129.4 million of O&M funds were apportioned to SOSUS.

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## Results of Analysis

Our analysis showed that, based on the current actual and planned execution of the program for fiscal years 1993 and 1994, \$10.1 million in fiscal year 1993 and \$12.8 million in fiscal year 1994 are in excess of program needs. SOSUS program officials agreed that the program was overfunded but said that the funds were needed for other unfunded requirements.

In May 1993, we questioned the need for the current and future funding levels requested for SOSUS. We recommended reductions in the program based on a reduced level of threat.

The Navy plans to operate and maintain SOSUS capability at a level higher than we had recommended because the Navy plans to upgrade the system with enhanced technology and targets identification capability. Additionally, the Navy plans to use the system to perform new functions, such as tracking migrating whales.

In view of the above, Congress may want to reduce the Navy's fiscal year 1994 O&M request by \$12.8 million.

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## DOD Counter-Drug Operating TEMPO

Since fiscal year 1989, DOD has been the lead agency for detecting and monitoring air and maritime shipments of illegal drugs in transit to the United States. Funds are appropriated to the DOD Drug Interdiction and Counter Drug activity and transferred to the Army, Navy, and Air Force. DOD is requesting \$1.1 billion in fiscal year 1994. A portion of these funds is used to conduct surveillance missions in support of civilian law enforcement agencies that interdict drug traffickers.

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## Results of Analysis

Based on our analysis, we believe that DOD's counter-drug OPTEMPO request included in the appropriation for the Drug Interdiction and Counter Drug activity can be reduced by \$78.6 million. Such a reduction would bring the level of OPTEMPO funding for the Army, Air Force, and Navy to the 1990 level. Our draft report evaluating the Air Force and the Navy concludes that counter-drug flying hours and steaming days are not providing a reasonable return on investment. Since 1990, DOD's funding for OPTEMPO has more than doubled. Although OPTEMPO has become one of the most

expensive initiatives in the national drug control strategy, the interdiction effort it supports is not working, and the estimated flow of cocaine in the United States remains appreciably undiminished. Furthermore, despite DOD's claims to the contrary, we have found that counter-drug operations do not provide equivalent training for the Air Force's and the Navy's primary defense mission.

The proposed reductions would not seriously impair the drug war because it would eliminate flying hours and steaming days that are allocated to inefficient routine surveillance patrols. In addition, we believe that such a reduction would not seriously impair military readiness because the reduction would eliminate flying hours and steaming days that have to be duplicated to meet training requirements.

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## Navy Support for MWR Activities

MWR programs are established to enhance the morale and well-being of military personnel, their dependents, and eligible civilian personnel. MWR programs categorized as mission essential are funded primarily with appropriated funds and some nonappropriated funds. Other MWR programs are funded with larger shares of nonappropriated funds. DOD is in the process of reviewing the various MWR programs to determine which should be funded with appropriated and nonappropriated funds.

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## Results of Analysis

The Navy included \$65 million in its fiscal year 1994 O&M budget request to support MWR programs. The \$65 million will free up nonappropriated funds, which would be used to fund construction of MWR facilities, local MWR projects not eligible for funding from the central MWR fund, and MWR projects that do not generate sufficient funds to pay the cost of operation.

Of the \$65 million of O&M funds, \$23.5 million will be used to pay 971 MWR employee positions currently paid from nonappropriated funds. Some of the positions to be paid for from O&M funds should be paid with nonappropriated funds because the major beneficiaries of the services received are dependents and other eligible personnel.

Because of the aforementioned, Congress may want to reduce the Navy's request for \$65 million to fund MWR programs until DOD determines what MWR projects should be supported with appropriated funds.

# Objectives, Scope, and Methodology

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This review is one of a series that examines defense budget issues. Our objective was to assess the adequacy of the justifications for certain O&M accounts included in the Army's, the Navy's, the Air Force's, the National Guard's, and DOD's O&M budget requests for fiscal year 1994 and to determine whether the programs should be funded in the amounts requested.

Our review approach consisted of interviews with program and budget officials responsible for managing the programs and/or preparing the budget requests; review and analysis of financial, budget support, and program documents related to the O&M issue being reviewed; analysis of prior year funding levels and expenditures to identify trends; and review of recently issued GAO reports and ongoing assignments to identify O&M issues that could affect the fiscal year 1994 budget requests.

Our review was performed at Army, Navy, Air Force, National Guard, and DOD headquarters; U.S. Forces Command; USAREUR; U.S. Army Training and Doctrine Command; Atlantic Fleet; Pacific Fleet; USAFE; Air Combat Command; Oklahoma City Air Logistics Center; and Air Force Materiel Command. We performed our review from March to August 1993 in accordance with generally accepted government auditing standards.

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