CONTRACT MANAGEMENT

Service Contract Approach to Aircraft Simulator Training Has Room for Improvement

What GAO Found

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

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

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

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

To view the full product, including the scope and methodology, click on the link above.

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