

GAO Highlights

Highlights of [GAO-18-557](#), a report to congressional committees

Why GAO Did This Study

TRANSCOM reported spending about \$81 billion flying personnel and cargo worldwide in fiscal years 2007-2017. TRANSCOM manages the Transportation Working Capital Fund (TWCF) to provide air, land, and sea transportation for the Department of Defense (DOD). TRANSCOM sets some rates it charges below costs to be competitive with commercial air service providers. The Air Force generally pays for expenses not covered by TWCF rates through the ARA.

A House Report accompanying the National Defense Authorization Act for Fiscal Year 2018 included a provision for GAO to review the ARA and the TWCF. GAO's report discusses the extent to which (1) ARA funds were requested, allotted, and expended for airlift activities; (2) the Air Force provided ARA information in its budget requests and informed its requests with information from TRANSCOM; and (3) TRANSCOM has implemented a rate-setting process for airlift services and uses workload forecasts to estimate the annual ARA funding request. GAO analyzed ARA funds and costs and revenues for airlift services for fiscal years 2007-2017; interviewed officials about the ARA budget preparation process; and analyzed TRANSCOM rate-setting and forecasting guidance and results.

What GAO Recommends

GAO is making five recommendations to DOD, including improving the clarity and completeness of budget estimates, and taking steps to improve the accuracy of airlift workload forecasts. DOD concurs with GAO's recommendations.

View [GAO-18-557](#). For more information, contact Diana Maurer at (202) 512-9627, maurerd@gao.gov, or Asif A. Khan at (202) 512-9869, khana@gao.gov.

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DEFENSE LOGISTICS

DOD Needs to Improve Budget Estimates and Accuracy of Forecasts for Airlift Services

What GAO Found

For fiscal years 2007 through 2017, the Air Force requested \$2.8 billion from Congress for Airlift Readiness Account (ARA) requirements, as part of its annual Operations and Maintenance appropriation. The Air Force allotted \$2.8 billion (i.e., directed the use of the appropriated funds) and expended \$2.4 billion of these funds for the ARA. U.S. Transportation Command (TRANSCOM) uses ARA funds to support airlift operations. Specifically, the Air Force requests ARA funds in its annual Operations and Maintenance budget request and subsequently provides these funds to TRANSCOM to assist in paying for airlift services (see figure). Amounts requested, allotted, and expended varied from year-to-year, in some cases by hundreds of millions of dollars, in part due to changes in the amount of airlift services provided by TRANSCOM.

The Airlift Readiness Account (ARA) Relationship to the Transportation Working Capital Fund



Source: GAO analysis of Department of Defense data. | GAO-18-557

The Air Force has not been including specific ARA information in its budget requests since fiscal year 2010. For fiscal years 2007 through 2009, Air Force budget requests explicitly stated ARA amounts. Air Force officials stated their budget presentation was changed to reduce the overall number of budget line items. In addition, TRANSCOM has not been providing cost estimates in time to support Air Force budget preparations. Specifically, TRANSCOM has been providing this information 2 months later than the Air Force needs it to support budget deliberations. The Air Force and TRANSCOM have taken some initial steps to address this issue, but these efforts lack substantive details regarding formalizing the necessary processes to ensure timely information. Until the Air Force and TRANSCOM resolve this issue, Congress will not have sufficient and complete information to inform its decisions on appropriating funds for ARA.

TRANSCOM has a rate-setting process, but faces challenges producing accurate workload forecasts. To provide information to its customers during the annual budget development process, TRANSCOM sets airlift rates in advance of the fiscal year of expenditure. Workload forecasts influence the rate-setting process. Inaccurate forecasts can lead to unreliable budget requests and hinder effective and efficient operational planning. GAO found that forecast inaccuracy (i.e., the variance between the forecast and the actual workload) averaged 25 percent and was becoming increasingly inaccurate since fiscal year 2007. GAO found that TRANSCOM has several workload forecasting challenges. Specifically, TRANSCOM lacks an effective process to gather workload projections from customers. It also no longer uses forecasting accuracy metrics and has not established forecast accuracy goals to monitor its performance. Furthermore, TRANSCOM does not have an action plan to improve its increasingly inaccurate workload forecasts. Taking steps to address these issues would enable TRANSCOM to improve the accuracy of workload forecasts.