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WASHINGTON, D.C. 20548

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RELEASED

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Accountancy Office except on the basis of specific approval
by the Office of Congressional Relations,

The Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

Subject: [Lack of Full Disclosure of EF-111A
Program Cost] (PSAD-80-16)

This letter is submitted as part of our ongoing effort to keep you informed of developments relating to the EF-111A program. Its specific purpose is to advise you that the Air Force overstated the savings to the Government that would result from an increased fiscal year 1980 quantity buy for the EF-111A program.

The Air Force is converting 42 F-111A aircraft into EF-111A tactical jamming systems. This requires the purchase of one modification kit for each of the 42 aircraft converted. The Air Force plans to buy these kits over a 4-year period starting with a contract for six kits in fiscal year 1979.

Based on its budget request to buy one kit during fiscal year 1980, the Air Force estimated a total program cost of \$990.4 million. The Air Force also estimated that if it bought six modification kits in fiscal year 1980 instead of one, the total cost of the program would be reduced to \$936 million, a savings of \$54.4 million. This information for alternative program buy levels was provided at the request of the House Armed Services Committee.

Based on the above information, the House Armed Services Committee voted to authorize a six kit buy for fiscal year 1980.)

In explaining the increase, the committee's report of May 15, 1979, stated the following:



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"The committee voted to add \$87 million to the aircraft modification account to provide authority for procurement of 6 electronic counter-measure kits [rather than the one kit requested]. * * * The Committee has been informed that by keeping the program relatively stable approximately \$55 to \$60 million in overall program costs can be saved."

The House Committee on Appropriations repeated a similar understanding on savings to be realized in its report of September 20, 1979.

* * * The current schedule of the first six kit installations, followed by a single kit installation in fiscal year 1980 and 20 in fiscal year 1981, results in an inefficient production profile, adds significantly to production costs, and delays the availability of this urgently needed defense suppression system.

"The House Armed Services Committee authorized an additional \$87,000,000 to provide for a total of six modification kits in fiscal year 1980. This recommendation would permit * * * saving \$54,400,000 in total program costs. The Committee recommends, therefore, * * * an increase of \$87,000,000 above the budget."

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An analysis of the \$54 million savings showed that about \$41 million, or 76 percent, was not actual savings to the Government but a transfer in spare parts cost from the EF-111A program to the replenishment spares program. Due to the change in the fiscal year buy quantity, the Air Force Systems Command would buy fewer initial spares than required, making the EF-111A program appear less costly. However, these spare parts would later be purchased by the Air Force Logistics Command as part of its replenishment spares program. Since the \$41 million spare part cost to field and operate the EF-111A does not change, this amount should not be represented as a savings in program costs through more efficient buys.

In our discussions with Air Force officials, they pointed out that their accounting system allows program costs allocated to initial spares to be transferred to the replenishment spares program. Whenever this accounting change in cost allocations occurs, it is not uncommon for such reductions in initial spares cost to be reported as program savings.

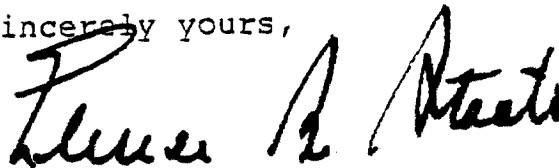
The EF-111A is not an isolated case. In fact, a GAO review of another system found a similar reporting of program savings due to the transfer of costs from initial spares to replenishment spares.

We understand that the Senate committees authorized the procurement of only one kit for fiscal year 1980. Since conference agreement on the differing House and Senate bills has not yet been reached, the actual number of kits to be procured is still uncertain. Nevertheless, we believe that cost information was not fully and accurately disclosed to the Congress. We can only speculate as to what impact full disclosure might have had on the decisions of the various congressional committees.

Copies of this letter are being sent to the chairmen of the House and Senate Committees on Appropriations and Armed Services. 2300
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If we can be of any further service on this or other matters, please contact me.

Sincerely yours,



Comptroller General
of the United States