

Highlights of [GAO-11-539](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

Three Air Force depots support combat readiness by providing repair services to keep Air Force units operating worldwide. To the extent that the depots do not complete work at year end, the work and related funding will be carried into the next fiscal year. Carryover is the reported dollar value of work that has been ordered and funded by customers but not completed at the end of the fiscal year. GAO was asked to determine the extent to which: (1) budget information on depot maintenance carryover approximated actual results from fiscal years 2006 through 2010 and, if not, any needed actions to improve budgeting for carryover; (2) depot maintenance carryover exceeded the allowable amount and any adjustments were made to the allowable amount; and (3) there was growth in carryover at the depots and the reasons for the growth. To address these objectives, GAO (1) reviewed relevant carryover guidance, (2) obtained and analyzed reported carryover and related data at the Air Logistics Centers (ALC), and (3) interviewed DOD and Air Force officials.

What GAO Recommends

GAO makes five recommendations to DOD to improve the budgeting and management of carryover, such as comparing budgeted to actual information on carryover and clarifying DOD guidance on allowable carryover funded with multiyear appropriations. DOD concurred with GAO's recommendations and has actions planned or under way to implement them.

View [GAO-11-539](#) or key components. For more information, contact Asif A. Khan at (202) 512-9095 or khana@gao.gov.

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AIR FORCE WORKING CAPITAL FUND

Budgeting and Management of Carryover Work and Funding Could Be Improved

What GAO Found

The Air Force consistently underestimated the dollar amount of carryover that would exceed the allowable amount in the Air Force Working Capital Fund (AFWCF) budgets from fiscal years 2006 through 2010. In 3 of the 5 years, the budgeted carryover amount underestimated the actual amount by over \$250 million. The budget information on carryover is critical since decision makers use this information when reviewing the AFWCF budgets. The Air Force began implementing actions to improve budgeting for AFWCF such as including overseas contingency operations funded orders in the AFWCF fiscal year 2012 budget. These actions have the potential to improve the accuracy of budgeting for AFWCF, but their success will only be known when budgeted carryover information is compared to actual results.

GAO analysis of AFWCF reports showed that in each year actual carryover exceeded the allowable amount from fiscal years 2006 through 2010. The allowable amount of carryover is based on the amount of new orders received and the outlay rate of customers' appropriations financing the work. The amount of carryover that exceeded the allowable ranged from \$4 million to \$568 million. Further, the Air Force increased the allowable amount for orders funded with multiyear appropriations by \$115 million and \$125 million in fiscal years 2009 and 2010, respectively. Without this adjustment, the AFWCF would have exceeded the allowable carryover by corresponding amounts. The DOD regulation on orders funded with multiyear appropriations only pertains to Army ordnance activities that perform a manufacturing function. Therefore, the provision on increasing the allowable amount of carryover for orders funded with multiyear appropriations does not apply to the Air Force.

GAO analysis of ALC reports and discussions with Air Force officials identified four reasons for the increase in carryover from \$1 billion at the end of fiscal year 2006 to \$1.9 billion—nearly 7 months of work—at the end of fiscal year 2010 on depot maintenance work. First, Air Force underestimated its forecasted workload requirements on the number of hours of work to be performed. Second, because the Air Force believed its depot maintenance workload would decrease, it reduced its workforce in November 2007. While the ALCs reduced their workforce by about 2,000 civilian personnel, the actual workload increased instead of decreased—thus resulting in personnel shortages. Third, the Air Force budget underestimated the amount of funds on new orders received from customers, and the work performed by the ALCs did not keep pace with the increase in funding on new orders from year to year. Fourth, the ALCs could not obtain parts when needed to perform repair work that contributed to the growth of carryover. Air Force data showed that the average monthly outstanding backorders for spare parts at the ALCs grew by about 44 percent from fiscal year 2008 to fiscal year 2010. The Air Force is taking action to address these problems but still needs to compare budgeted to actual information, such as the number of hours of work to be performed, and identify the reasons for the differences.