

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**FOLLOWUP AUDIT OF THE AEROMEDICAL
EVALUATION SYSTEM**

Report No. 97-143

May 19, 1997

Department of Defense

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Acronyms

AE	Aeromedical Evacuation
AMC	Air Mobility Command
CONUS	Continental United States
FHP	Flying Hour Program



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884



May 19, 1997

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Followup Audit Report on the Aeromedical Evacuation System
(Report No. 97-143)

We are providing this audit report for your review and comment. We performed the audit as a followup on the results of Inspector General, DoD, Report No. 95-225, "Aeromedical Evacuation System," June 9, 1995. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all potential monetary benefits be resolved promptly. Therefore, we request that the Air Force provide additional comments indicating whether it agrees with the \$8.3 million of potential monetary benefits related to Recommendation 2.b. We request the Air Force comments by July 18, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Michael A. Joseph, Audit Program Director, or Mr. Michael F. Yourey, Audit Project Manager, at (757) 766-2703. See Appendix F for the report distribution. The audit team members are listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-143
(Project No. 6LF-0048)

May 19, 1997

Followup Audit of the Aeromedical Evacuation System

Executive Summary

Introduction. This is a followup audit performed to evaluate the unresolved issues of Inspector General, DoD, Report No. 95-225, "Aeromedical Evacuation System," June 9, 1995.

In 1992, the Secretary of Defense established the U.S. Transportation Command as the single manager for transportation functions. The Air Mobility Command, the Air Force component of the U.S. Transportation Command, manages the aeromedical evacuation system. The 375th Airlift Wing of the Air Mobility Command, located at Scott Air Force Base, Illinois, trains for its aeromedical evacuation mission using DoD C-9A "Nightingale" aircraft (C-9A aircraft). In FY 1996, DoD spent about \$70.7 million (\$35.5 million of Defense Health Program Operations and Maintenance appropriations, and \$35.2 million of Air Force Military Personnel and Reserve Personnel appropriations) training for the aeromedical evacuation mission and for transporting patients for health care.

Audit Objectives. Our overall objective was to verify mission requirements for the continental United States based C-9A aeromedical evacuation aircraft and to validate the flying hour program developed to train pilots for the C-9A aeromedical evacuation mission. We did not review the management control program as it applied to the overall audit objective because it was discussed in Inspector General, DoD, Report No. 95-225.

Audit Results. The Air Force flying hour program of about 13,900 hours for FY 1996 exceeded training requirements to maximize the aircraft flying time capability of the 11 continental United States C-9A aircraft. Over the 6 years of the Future Years Defense Program (1997 through 2002), DoD can use \$60 million of Defense Health Program appropriations for other valid health care requirements and \$8.3 million of Air Force Military Personnel appropriations can be put to better use by reducing the flying hour program to 9,650 hours. See Appendix E for a discussion of the potential benefits.

Summary of Recommendations. We recommend that the Assistant Secretary of Defense (Health Affairs) reduce reimbursement to the Air Force for the C-9A flying hour program. We also recommend that the Air Mobility Command reduce the flying hour program and staffing levels for the C-9A aeromedical evacuation mission.

Management Comments. The Assistant Secretary of Defense (Health Affairs) concurred with the finding and recommendations on reducing the C-9A reimbursement to the Air Force for FY 1997 through 2002. The Command Surgeon, Air Mobility Command, concurred with reducing the flying hour program and staffing levels for the aircrews as recommended.

Although not required to comment, the Office of the Surgeon General, Air Force, and the Command Surgeon, Air Mobility Command provided comments on the recommendation to reduce C-9A reimbursements to the Air Force. The Office of the Surgeon General agreed that the potential monetary benefits should be substantial, but stated that the audit report overstated the reductions based on the revised flying hour program. Personnel in the Office of the Surgeon General believed that increased fuel and support costs would offset much of the outyear savings. They believed the recommended FY 1997 reduction of reimbursement to the Air Force was achievable. Comments from the Air Mobility Command contradicted comments from the Office of the Surgeon General. The Air Mobility Command stated that the potential monetary benefits cited in our report were grossly overstated and that reductions in contractor logistics support costs would be minimal. See Part I for a summary of management comments and Part III for the complete text of management comments.

Audit Response. We consider the Assistant Secretary of Defense (Health Affairs) comments responsive to the recommendation to reduce reimbursement to the Air Force. We consider the Air Force comments responsive to the recommendation to establish a reduced flying hour program. We consider the Air Force comments partially responsive to the recommendation to reduce C-9A aircrew staffing to the levels identified in the report, because it did not state whether it agrees with the \$8.3 million of potential monetary benefits. We request that the Air Force confirm the \$8.3 million of potential monetary benefits related to the reduction of aircrew staffing, in response to the final report by July 18, 1997.

The Air Force's comments that increased fuel costs will offset the savings from the reduced flying hour program may indicate confusion about the definition of funds put to better use for audit results reporting purposes. The fuel cost increases mentioned by the Air Force are not related to implementing our recommendations and therefore are not relevant in the context of estimating potential monetary benefits.

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Part I - Audit Results

Audit Background

Aeromedical Evacuation Mission. The mission of the Aeromedical Evacuation (AE) System is established in DoD Regulation 4515.13-R, "Air Transportation Eligibility," November 1994. The primary mission of the AE System is to transport U.S. military casualties from the combat zone to fixed or field hospitals, as required. Other patients may be provided AE when their movement does not interfere with the timely or orderly accomplishment of the primary mission.

Key Roles in AE. In 1992, the Secretary of Defense established the U.S. Transportation Command as the single manager for transportation functions. The Air Mobility Command (AMC), as the Air Force component of the U.S. Transportation Command, is the manager of AE assets in the continental United States (CONUS). The 375th Airlift Wing of AMC, located at Scott Air Force Base, Illinois, had a fleet of 12 C-9A "Nightingale" aircraft (11 primary assigned aircraft and one backup) to support the AE System. In the fourth quarter of FY 1996, the backup C-9A aircraft was transferred to Europe. The Assistant Secretary of Defense (Health Affairs) reimburses the Air Force for the C-9A AE function.

AE Aircraft and Staffing. The C-9A aircraft is a commercial DC-9 aircraft configured as a flying hospital ward capable of carrying 40 patients in litters (a stretcher to carry sick or wounded patients) or seats. With a mission requirement for the C-9A aircraft to support two major regional contingencies, wartime casualty estimates are expected to surpass the patient load capacity of the 11 aircraft. Active duty and Reserve duty aircrews are provided by the 11th Aeromedical Airlift and the 73rd Aeromedical Airlift Squadrons, respectively. Active duty and Reserve duty medical crews are provided by the 57th and the 73rd Aeromedical Evacuation Squadrons, respectively.

Basis for the Flying Hour Program. In response to Inspector General, DoD, Report No. 95-225, "Aeromedical Evacuation System," June 1995, the Chief of Staff, U.S. Air Force agreed that the flying hour program (FHP) should be based on readiness requirements. Within the FHP that is needed for training for readiness, the C-9A aircraft are available to transport patients for Graduate Medical Education program training, medical emergencies, cost-effective patient movements, and other mission essential movements. Medical crew in-flight training can also be accomplished within the FHP established for aircrews. The budgeted FHP for FYs 1993 through 1996 was 17,211 hours, annually.

Prior Audit Report. Inspector General, DoD, Report No. 95-225, reported that CONUS C-9A aircraft were flown in excess of requirements. The report stated that the FHP was based on historical peacetime performance, not on training, which was necessary to meet mission requirements. The report stated that over 6 years, \$130.2 million of Defense Health Program appropriations and Air Force Military Personnel appropriations could be put to better use through a

reduction of the FHP from 17,211 hours to 8,550 hours and a reduction in aircrews from 42.5 to 32.5. The report recommended that funding, flying hours, and aircrews be reduced for the C-9A AE System and that evaluations of the cost-effectiveness of patient referrals be performed. The report also recommended that the Assistant Secretary of Defense (Health Affairs) establish policy to identify mission essential patients and develop priority categories for those patients.

During an October 25, 1995, resolution meeting with representatives of the Office of the Assistant Secretary of Defense (Health Affairs) and the Air Force, Air Force representatives informed us that the mission for the CONUS C-9A aircraft was being revised and proposed a FHP of 13,700 hours. On November 16, 1995, the Under Secretary of Defense (Comptroller) Program Budget Decision No. 041, reduced the FY 1997 Defense Health Program by \$2.2 million to reflect a decrease of 3,511 flying hours (17,211 minus 13,700). Subsequently, AMC prepared a FHP identifying a requirement of 13,873 hours annually, for FY 1996 through FY 2001.

Audit Objectives

The overall audit objective was to verify mission requirements for the CONUS based C-9A AE aircraft and to validate the FHP developed to train pilots for the C-9A aeromedical evacuation mission. We followed up on the results of Inspector General, DoD, Report No. 95-225. We did not review the management control program applicable to the overall audit objective because controls related to the CONUS AE system were covered in Inspector General, DoD, Report No. 95-225. See Appendix A for a discussion of the scope and methodology.

Continental United States Flying Hour Program

The FY 1996, C-9A aeromedical evacuation FHP in the continental United States exceeded training requirements. AMC based the FHP on excess active duty aircrews and excess flying hours for staff pilots. By reducing the FHP from 13,873 hours to about 9,650 hours and by eliminating seven aircrews, DoD could put \$60 million of Defense Health Program and \$8.3 million of Air Force Military Personnel appropriations to better use over the FYs 1997 through 2002 Future Years Defense Program.

Aircrew Training and Staffing

The FHP for active duty aircrews is based on the Air Force Composite Absorption Analysis Model for operational support airlift aircrews. The model includes variables, such as a 65-pilot to 35-copilot ratio; a 3-year tour of duty; and the flying hours needed based on previous pilot experience. Training requirements for Reserve duty aircrews are different than active duty aircrews. The calculations for the Reserve FHP are based on a pilot to copilot ratio of 80 to 20 and on upgrading copilots to pilots over a 3-year period.

Flying Hour Program Necessary for Training

The FY 1996 FHP of 13,873 flying hours, as developed by AMC, exceeded training requirements by 4,226 hours. AMC overstated the FHP because it included aircrews in excess of the 32 needed to maximize the aircraft flying time capability of the 11 primary assigned aircraft. AMC also overstated the flying hours needed to train C-9A staff pilots. In September 1996, the Office of the Inspector General, DoD, and the Air Force agreed that an FHP of about 9,650 hours was sufficient to train the 32 required aircrews. Appendix B shows the schedule for reducing the FHP to 9,650 hours.

Aircrews Needed to Meet Training Requirements. The AMC established the FHP at a staffing level of 39 mission capable aircrews (22 active duty and 17 Reserve duty aircrews) and 2 pilot instructor aircrews. The FHP included hours for seven aircrews that were not needed to maximize the flying time capability of 11 C-9A aircraft. Only 32 of the 39 mission capable aircrews and the 2 pilot instructor aircrews were needed to maximize aircraft flying time capability. We based our calculation of the number of mission capable aircrews needed on the number of primary assigned aircraft; the maximum flying capability of about 9 hours per day, with 90-minute layovers at each stop; and aircrew duty day limitations. AMC agreed that 32 aircrews (11 active duty and

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21 Reserve duty aircrews) would maximize the use of the 11 assigned aircraft. Table 1 identifies the actual FY 1996 and the required active duty and Reserve duty aircrew staffing levels for maximizing aircraft flying time capability.

Table 1. Aircrew Staffing Levels

	<u>FY 1996</u>	<u>Required</u>
Active Duty	22	11
Reserve Duty	<u>17</u>	<u>21</u>
Total	39	32

Staffing Level Effect on FHP. The AMC overstated the FHP by 3,123 hours because it had excess active duty aircrews. Table 2 identifies the FHP reduction associated with reducing the number of aircrews from 39 to 32.

Table 2. FHP Reduction Based on Revised Staffing Levels

<u>Aircrews</u>	<u>Flying Hours</u>
Active Duty	(3,643)
Reserve Duty	<u>520</u>
Net Flying Hour Reduction	(3,123)

Flying Hours Needed to Train Staff Pilots. The AMC overstated the FHP by an additional 984 flying hours because it overstated the flying hours needed to train the 14 assigned staff pilots. Staff pilots are normally assigned to administrative positions and maintain their pilot status and proficiency by flying a limited number of C-9A aircraft hours per month. In its 13,873 FHP, AMC estimated that 2,264 hours (104 currency and 2,160 mission hours) were needed to train staff pilots. In the agreed upon 9,650 FHP, we estimated that 1,280 hours (128 currency and 1,152 mission hours) were needed to train staff pilots. Pilots are given currency training (local sorties under peer evaluation) to maintain pilot proficiency. AMC agreed that through more efficient scheduling, staff pilot training can be accomplished with 984 fewer flying hours than shown in its 13,873 FHP. An additional 119-flying hour overstatement occurred because duplicate training hours identified separately were already included in the pilot or formal training requirements. We provided details of the 119 hours to AMC and included the changes in the 9,650 FHP that was agreed to by the Air Force. Appendix C shows our adjustments to reduce the FHP from 13,873 hours to 9,650 hours as agreed to by the Air Force.

Air Force Action. In a memorandum to the Assistant Secretary of Defense (Health Affairs), "CONUS C-9A FHP for FY 1997 and Beyond," September 16, 1996 (Appendix D), AMC reported a plan to reduce aircrew staffing and the FHP in phases beginning in FY 1997. Personnel in the Office of the Assistant Secretary of Defense (Health Affairs) advised us that the Air Force memorandum would be the basis for funding the C-9A FHP. In addition to transferring the one backup CONUS C-9A aircraft to Europe, personnel at

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AMC advised us that 1 of the 11 primary assigned aircraft may also be transferred overseas. If the number of primary assigned aircraft becomes less than 11, the FHP should be reduced accordingly.

Effect of Reducing Flying Hours

Reducing the FHP to 9,650 hours and eliminating seven aircrews will allow DoD to use \$68.3 million for more valid requirements over the FYs 1997 through 2002 Future Years Defense Program. Specifically, the Assistant Secretary of Defense (Health Affairs) can reduce the Defense Health Program reimbursement to the Air Force for C-9A aircraft by about \$60 million. The \$60 million reduction is in addition to any Program Budget Decision 041 reductions. Further, eliminating 7 aircrews would allow 14 officer billets, costing about \$8.3 million of Air Force Military Personnel appropriations, to be put to better use. Appendix E provides details on the potential monetary benefits.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Assistant Secretary of Defense (Health Affairs) reduce the C-9A flying hour program reimbursement to the Air Force and use the funds for other valid health care needs. Specifically,

a. Reduce \$6.2 million from the FY 1997 flying hour program of 11,925 hours.

b. Reduce \$8.5 million from the FY 1998 flying hour program of 10,881 hours.

c. Reduce \$45.3 million from the FY 1999 through 2002 flying hour program of 9,650 hours.

Assistant Secretary of Defense (Health Affairs) Comments. The Assistant Secretary concurred with the intent of the finding and recommendations, and reduced the CONUS C-9A flying hour program reimbursement to the Air Force by slightly more than recommended.

Audit Response. We consider the Assistant Secretary's comments to be responsive to the recommendation. Additional information provided by the Office of the Assistant Secretary showed that the reimbursement to the Air Force for the CONUS C-9A FHP had been estimated and reduced before our draft report was published. In addition to reductions in March 1996, that resulted from Program Budget Decision 041, reductions of \$76.01 million were

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taken in the Defense Health Program, Budget Estimate Submission, FY 1998/1999, September 1996. The Budget Estimate Submission reductions were \$6.85 million from the FY 1997 FHP, \$12.96 million from the FY 1998 FHP, \$13.2 million from the FY 1999 FHP, and \$43 million from the FYs 2000 through 2002 FHP. The Assistant Secretary also informed the Inspector General, DoD, that periodic reviews of the FHP would be done based on the Air Force requests for additional program funding. If the Air Force requests additional funds for the C-9A FHP, we request that the Assistant Secretary provide data on actions taken to increase the funding.

Air Force Comments. Although not required to comment, the Office of the Surgeon General, Air Force, and the Command Surgeon General, Air Mobility Command, commented on the draft report. The Office of the Surgeon General concurred with the finding and Recommendation 1.a. for the FY 1997 budget reductions. The Office of the Surgeon General further stated that although the savings from the reduced flying hours will be substantial, they will be less than the budget cuts called for in Recommendations 1.b. and 1.c. Further, the Air Force stated that although it was reducing the flying hours in FY 1998, aviation fuel costs were projected to increase \$0.7 million, and contractor logistics support costs would increase about \$1.1 million. The Office of the Surgeon General included an attachment from the Command Surgeon, Air Mobility Command, as part of its official response to the draft audit report. The Command Surgeon nonconcurred with the recommended budget reductions for the C-9A FHP and stated that the estimated monetary benefits from the reduction of the FHP were grossly overstated. The Command Surgeon also stated that significant savings from contractor logistics support cost reductions would not be achieved with reductions in flying hours and that costs fluctuate annually based on factors unrelated to flying hours. The Command Surgeon further stated that costs increase in the out years due to increases in material support costs.

Audit Response. We believe that the recommended reductions in the flying hour budget can be realized by reducing flying hours from the budgeted FY 1996 FHP of 17,211 hours, to 11,925 hours in FY 1997; 10,881 hours in FY 1998; and 9,650 hours in FY 1999 and beyond. Appendix E details how we calculated fuel and contractor logistics support savings to justify recommended budget reductions. The Air Force provided only a budget brochure to support its position associated with decreases in the FHP. For example, the Air Force stated that contractor logistics support costs will increase in out years due to increases in material support (small parts). The budget brochure showed that material support cost decreases to \$13.2 million and \$13.3 million for FY 1998 and FY 1999 from \$15.1 million in FY 1996, the year before the recommended reductions. Further, the fuel price increase identified by the Air Force is not directly related to implementing our recommendation. Therefore, it is not relevant to the calculation of potential monetary benefits in terms of being an offset. If anything, it may mean that our estimate is too conservative. Such an increase in fuel prices could result in increased potential monetary benefits through cost avoidance, rather than through additional budget cuts.

Continental United States Flying Hour Program

2. We recommend that the Commander, Air Mobility Command:

a. Establish a flying hour program of 11,925 hours for FY 1997; 10,881 hours for FY 1998; and 9,650 hours for FY 1999 and beyond, for the aeromedical evacuation C-9A aircraft based in the continental United States.

b. Reduce the C-9A staffing levels to 11 active duty aircrews and 21 Reserve duty aircrews to support the 11 primary assigned aeromedical evacuation C-9A aircraft based in the continental United States.

Air Force Comments. The Air Force concurred with the recommendations.

Audit Response. Although the Air Force concurred with the recommendations, it did not indicate whether it agrees with the \$8.3 million of potential monetary benefits (Air Force Military Personnel appropriations) related to the recommendation. We request that the Air Force confirm the \$8.3 million of potential monetary benefits in response to the final report.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope

The audit verified the flying hours needed to train sufficient aircrews to maximize the flying time capability of the 11 C-9A aircraft assigned in CONUS for aeromedical evacuation. We considered the training requirements to support the revised overseas contingency missions. We reviewed actions taken by AMC to follow up on the results of Inspector General, DoD, Report No. 95-225. In addition, we reviewed documentation from March 1995 through September 1996 establishing the Air Force position on readiness requirements and the CONUS FHP. We also reviewed FHP management reports, contract logistics support records, and expense reports from FY 1993 through FY 1996, associated with the savings calculated by the Air Force and reported in our prior report. We reviewed the May 1996 proposed operational capability statements that identified the aircrew and C-9A aircraft mission requirements, and held discussions with cognizant officials on the operational capability and role of the C-9A aircraft because of changes in mission requirements. We did not evaluate the FHP for the three C-9A aircraft in the Pacific Command and the four C-9A aircraft in the European Command, or the use of transoceanic aircraft that flew AE missions. The FHP for the C-9A aircraft based in Europe is being reviewed separately (Project No. 6LF-0048.01). The scope of the audit was limited in that we did not review the management control program.

Use of Computer-Processed Data. We did not use computer-processed data or statistical sampling procedures for this audit.

Audit Period and Standards. This program audit was made from April through November 1996. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

Methodology

We reviewed five versions of FHPs prepared by AMC during the period April through September 1996 that included overall aircrew staffing requirements for active duty and Reserve duty aircrews, and justification for the aircrew readiness training requirements for 11 C-9A primary assigned aircraft based in CONUS. We based our review of the FHPs on training required by Air Force regulation and on the Air Force Composite Absorption Analysis Model. We determined staffing levels based on the maximum aircrew duty day, maximum flying hours per pilot, and the maximum number of hours the 11 CONUS assigned C-9A aircraft could fly. We followed up on the results of Inspector

General, DoD, Report No. 95-225 addressing reported annual potential benefits of \$21.7 million relating to the recommended FHP reduction. Further, we interviewed personnel at the Offices of the Assistant Secretary of Defense (Health Affairs) and the U.S. Transportation Command to discuss the training and readiness requirements for CONUS based C-9A aircraft.

We evaluated the FY 1996 FHP for the C-9A aircraft that was managed by AMC and funded by the Defense Health Program appropriation (\$35.5 million), and Air Force Military Personnel and Reserve Personnel appropriations (\$35.2 million). The cost of CONUS AE operations included civilian and military personnel pay, contractor support, fuel, and miscellaneous costs. Details of our calculations for contractor logistics support cost reductions are provided in Appendix E.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and Raytheon Aerospace Company. Further details are available upon request.

Appendix B. Flying Hour Program Reduction

	Fiscal Year			
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999 and Beyond</u>
<u>Mission Capable Aircrews</u>				
Active duty	22	17	11.0	11
Reserve duty	<u>17</u>	<u>19</u>	<u>20.5</u>	<u>21</u>
Total	39	36	31.5	32
<u>Instructor Aircrews</u>				
	2	2	2	2
<u>Flying Hour Program</u>				
Active duty aircrews:				
Experiencing*	6,720	6,023	4,410	3,234
Formal training	867	867	768	710
Overseas training	92	92	92	92
Readiness inspections	23	0	0	0
Senior officer qualification	48	0	0	0
Staff currency	104	128	128	128
Staff missions	2,160	1,130	1,152	1,152
Test flights	<u>96</u>	<u>48</u>	<u>48</u>	<u>48</u>
Subtotal	10,110	8,288	6,598	5,364
Reserve duty aircrews:				
Mission	3,009	3,142	3,466	3,466
Overseas training	92	92	100	100
Training	<u>662</u>	<u>403</u>	<u>717</u>	<u>717</u>
Subtotal	3,763	3,637	4,283	4,283
Total	13,873	11,925	10,881	9,647

*Experiencing includes flying hours necessary to provide pilots with experience necessary for assignment to air command.

Appendix C. Flying Hour Adjustments

	<u>Annual FHP</u>		
	<u>AMC</u>	<u>Audit</u>	<u>Adjustment</u>
Staffing Level			
Active aircrews			
Active duty experiencing	6,720	3,234	(3,486)
Formal training	<u>867</u>	<u>710</u>	<u>(157)</u>
Subtotal	7,587	3,944	(3,643)
Reserve aircrews	<u>3,763</u>	<u>4,283</u>	<u>520</u>
Subtotal	11,350	8,227	(3,123)
Staff Pilot Training			
Staff currency	104	128	24
Staff missions	<u>2,160</u>	<u>1,152</u>	<u>(1,008)</u>
Subtotal	2,264	1,280	(984)
Other Flying Hour Adjustments			
Overseas training	92	92	0
Readiness inspections	23	0	(23)
Senior officer qualification	48	0	(48)
Test flights	<u>96</u>	<u>48</u>	<u>(48)</u>
Subtotal	259	140	(119)
Total	13,873	9,647	(4,226)

Appendix D. Air Mobility Command, Memorandum for ASD(HA), "CONUS C-9A Flying Hour Program for FY 1997 and Beyond"



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR MOBILITY COMMAND

16 Sep 96

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)

FROM: HQ AMC/SG
203 W Losey Street, Room 1180
Scott AFB IL 62225-5219

SUBJECT: CONUS C-9A Flying Hour Program (FHP) for FY97 and Beyond

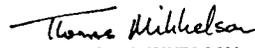
1. Office of the Inspector General (OIG) auditors recently conducted a follow-up visit to resolve continuing issues from Audit Report No. 95-225, Aeromedical Evacuation System. Specifically, efforts were successful in validating the appropriate crew mix and resultant FHP requirement parameters. At the conclusion of the visit, action officers tentatively agreed to a glide slope over FY97 and FY98 reducing active duty (AD) crews from 22 to 11, increasing Air Reserve Component (ARC) crews from 17 to 21, and establishing a target FHP of 9,647 hours.
2. Prior to and during the course of the visit, several "working" flying hour spreadsheets were prepared designed to display the impact crew adjustments will have on the FHP. Spreadsheets yielded a range of FY97 FHPs between 11,529 and 12,253 hours for five less AD crews (17) and two more ARC crews (19) depending on the rate of AD attrition and ARC gain. The FY98 FHP totaled 10,881 hours for an end-strength of 11 AD and 21 ARC crews (Atch 1). This glide slope puts us on target for 9,647 hours at the beginning of FY99 (Atch 2). Unfortunately, after much struggle and frustration at all levels, the FY97 FHP values were attained after closure of the budget submission.
3. On this date, consensus was reached between the OIG and this office on our programming rationale and subsequent plan to efficiently reduce the CONUS C-9A FHP. The plan will be as stated above with one exception: the FY97 FHP will be capped at 11,925 hours. The FY98 FHP will remain 10,881, and FY99 and beyond will be 9,647 hours. The resultant FY97 and FY98 values comprise a manageable plan for crew adjustments through reasonable attrition of the AD crews and attainable recruitment of the ARC crews.

Attachment deleted
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AMC—GLOBAL REACH FOR AMERICA

**Appendix D. Air Mobility Command, Memorandum for ASD(HA), "CONUS
C-9A Flying Hour Program for FY 1997 and Beyond"**

4. It has always been our intention to manage the C-9A with forthright clarity and efficiency. Should you need more information, my POC is Lt Col Hannan, HQ AMC/SGXP, DSN 576-2205, or feel free to contact me directly at DSN 576-3231.


THOMAS A. MIKKELSON
Colonel, USAF, FS
Deputy Command Surgeon

Attachments
deleted

2 Attachments:
1. FY98 FHP
2. FY99 FHP

cc:
DoD IG
HQ USAF/SG

Appendix E. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
1.a.	Economy and Efficiency. Reduce reimbursement from the Defense Health Program for C-9A aircraft to fund an FHP consistent with training requirements.	Funds put to better use of \$6.2 million of FY 1997 Defense Health Program appropriations* (97X0130).
1.b.	Economy and Efficiency. Reduce reimbursement from the Defense Health Program for C-9A aircraft to fund an FHP consistent with training requirements.	Funds put to better use of \$8.5 million of FY 1998 Defense Health Program appropriations* (97X0130).
1.c.	Economy and Efficiency. Reduce reimbursement from the Defense Health Program for C-9A aircraft to fund an FHP consistent with training requirements.	Funds put to better use of \$45.3 million of FYs 1999 through 2002 Defense Health Program appropriations* (97X0130).
2.a.	Economy and Efficiency. Reduce the C-9A aircraft FHP to eliminate hours not needed for mission training for 11 primary assigned aircraft.	Benefits included in 1.a. through 1.c. and 2.b.

* Amounts identified as potential monetary benefits are less than actual cost avoidance resulting from reducing the FHP to 9,650 hours. A detailed discussion of the potential monetary benefits is included in this appendix.

Appendix E. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
2.b.	Program Results. Reduce active duty aircrews by 22 officer billets and increase Reserve duty aircrews by 8 billets which will result in a net reduction of 14 billets.	Funds put to better use of \$8.3 million of 1997 through 2002 Air Force Military Personnel appropriations (57X3500).

Appendix E. Summary of Potential Benefits Resulting From Audit

Potential Benefits Associated With Decreases in the FHP. Inspector General, DoD, Report No. 95-225, identified \$130.2 million of potential monetary benefits associated with reducing the FHP to 8,550 hours rather than 17,211 hours. The Under Secretary of Defense (Comptroller) partially implemented our recommendation and reduced the FY 1997 Defense Health Program by \$2.2 million (Program Budget Decision [PBD] 041, November 1995). Budget reductions for outyear amounts were also made totaling \$2.3 million for FY 1998, \$2.4 for FY 1999, \$2.5 million for FY 2000, and \$2.6 million for FY 2001.

In September 1996, the Offices of the Inspector General and the Assistant Secretary of Defense (Health Affairs) and the Air Force agreed that an FHP of 9,650 hours was sufficient to train aircrews needed for 11 primary assigned aircraft. The Air Force agreed to reduce the FHP in phases to 11,925 hours in FY 1997; 10,881 hours in 1998; and 9,650 hours in FY 1999 and beyond (see Appendix B). The decreased flying hours will result in cost avoidance beyond those identified in PBD 041.

Subsequent to the PBD, we deferred resolution of the \$130.2 million of potential monetary benefits until completion of the followup audit. The \$68.3 million of potential benefits identified in this report represents the estimated cost avoidance associated with reducing the FHP to the agreed upon 9,650 hours, less the PBD reductions already implemented by the Under Secretary of Defense (Comptroller). The following table shows the cost avoidance that can be achieved for FYs 1997 through 2002.

Annual Cost Avoidance (in millions)

<u>Year</u>	<u>Audit Estimated Cost Avoidance</u>	<u>Less Amount Reduced by PBD</u>	<u>Net Cost Avoidance</u>
FY 1997	\$ 8.9	\$ 2.2	\$ 6.7
FY 1998	12.2	2.3	9.9
FY 1999	14.8	2.4	12.4
FY 2000	14.8	2.5	12.3
FY 2001	14.8	2.6	12.2
FY 2002	<u>14.8</u>	<u>0.0</u>	<u>14.8</u>
Total	\$80.3	\$12.0	\$68.3

Appendix E. Summary of Potential Benefits Resulting From Audit

For the potential benefits associated with FHP reductions, we estimated Defense Health Program and military personnel cost reductions. The estimated Defense Health Program cost reduction consisted of amounts for contractor logistics support, fuel, and other support. Cost reductions for contractor logistics support consisted of aircraft and jet engine overhauls and contractor supplied-parts. We prorated Defense Health Program costs to arrive at reductions for the 11 C-9A CONUS based aircraft. Military personnel cost reductions consisted of average pay and benefit costs for active duty officers and Reserve duty officer budget amounts. The total estimated cost reduction consists of \$72 million of costs for contracts, fuel, and other support costs; and \$8.3 million of military personnel costs.

Contractor Logistics Support Cost Reductions. We determined the costs for aircraft and jet engine overhauls and contractor supplied parts by multiplying 61 percent (11 of the 18 C-9A aircraft are located in CONUS) times the contractor logistics support maintenance support budget of \$28.5 million for FY 1997, \$32.6 million for FY 1998, and \$33.8 million for FY 1999. Through discussions with personnel in the C-9A program office at the Oklahoma City Air Logistics Center, we identified and excluded contract cost elements that were dependent on time-phased requirements and not affected by reductions in the FHP. We included in our calculations cost elements, such as repair parts and labor, that were affected by flying hours. We proportionally reduced budgeted amounts for those cost elements to the reduced FHP that was agreed to by the Air Force. Our methodology was coordinated with personnel in the C-9A program office at the Oklahoma City Air Logistics Center.

Fuel and Other Cost Reductions. We estimated fuel and other support cost reductions to be \$32.6 million over the FYs 1997 through 2002 Future Years Defense Program. Fuel savings of \$28.7 million were calculated using the C-9A fuel consumption rate of 982 gallons per flying hour times \$.70 per gallon times the number of flying hours reduced from the FHP. We estimated travel and miscellaneous expenses to be about \$3.9 million.

Military Personnel Cost Reductions. We estimated military personnel cost reductions using the data we obtained from the Air Force. We based the reductions on aircrew staffing levels needed for the reduced FHPs, which the Air Force agreed to. Military personnel cost reductions included average pay and benefit costs for active duty officers and Reserve duty officer budget amounts. Costs reductions associated with active duty aircrews were offset with costs for increased Reserve duty aircrews.

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Health Affairs)
Assistant Secretary of Defense (Reserve Affairs)
Assistant Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Joint Staff

Director, Joint Staff

Department of the Army

Surgeon General of the Army
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Chief, Bureau of Medicine and Surgery
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Surgeon General of the Air Force
Auditor General, Department of the Air Force

Unified Command

Commander in Chief, U.S. Transportation Command

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center
Health, Education, and Human Services

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Assistant Secretary of Defense (Health Affairs) Comments



THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301-1200

MAR 31 1997

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Followup Audit Report on the Aeromedical Evacuation System (Project No. 6LF-0048)

Thank you for the opportunity to respond to the DoD Audit Report Number 6LF-0048 concerning the continental United States C-9A Aeromedical Evacuation flying hour program and staffing levels. In regards to reduction in reimbursement to the Air Force for the C-9A flying hour program, the following comments are provided.

This office carefully reviewed the consensus that was reached between the Office of the Inspector General and Headquarters, Air Mobility Command, concerning their plan to efficiently reduce the CONUS C-9A flying hour program (FHP) as stated in their 16 September 1996 letter. We concur with the recommendations to reduce the C-9A FHP reimbursement to the Air Force so that funds may be used for other valid health care needs.

With full understanding that the FY97 FHP will be capped at 11,925 hours, the FY98 FHP will remain at 10,881 hours and that FY99 FHP and beyond will be 9647 hours, reductions in reimbursements have been made according to the audits recommendations. These funds will be applied within our Military Health Services System as suggested in Recommendation 1.

As previously stated, we concur with the audit report. We continually strive to use aeromedical evacuation assets in the most efficient manner possible and achieve savings when appropriate. We must ensure, however, that we do not sacrifice our wartime aeromedical evacuation capabilities to accomplish those savings.

Edward D. Martin for
Stephen C. Joseph, M.D., M.P.H.

Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, DC

MAR 19 1997

MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL, DOD

FROM: HQ USAF/SGMC
110 Luke Avenue, Room 400
Bolling AFB, DC 20332-7050

SUBJECT: Follow-up Audit Report on the Aeromedical Evacuation System, Project No. 6LF-0048 (Draft)

After a review of the draft audit report, I concur with the HQ AMC/SG conclusions (attached) on everything but item 1.a. The cost savings in FY97 are achievable, but the reductions taken in future years are too much. The savings from the reduced CONUS C-9A flying hours will be substantial, but will be less than the \$80.3M projected in the report.

The audit would take an additional \$2.4M out of the Operations and Maintenance funding for the Aeromedical Evacuation (AE) program in FY98. However, even with fewer flying hours, CONUS AVPOL costs are projected to increase \$700K from FY97 to FY98. The CONUS share of the CLS contract will increase approximately \$1.1M from FY97 to FY98. There is not enough growth in the program from year to year to absorb these cost increases and take \$2.4M off the top. The projected savings in the outyears are only achievable if the program grows enough to offset increased AVPOL and CLS costs before the cuts connected to the reduced flying hours are taken.

The CONUS flying hours will be reduced to the levels specified in the report. My staff will work with their counterparts at OASD(HA) to extract all savings that are made possible as a result of the reduced flying hours. Again, the savings will be significant, but will not reach the level called for in the report.

For questions, please contact Major Mike Schell, (202) 767-5082, (DSN 297).


ROBERT J. MCGEE, JR., Colonel, USAF, MSC
Chief, Financial Management Division
Directorate of Medical Programs & Resources
Office of the Surgeon General

Attachment:
HQ AMC/SG Ltr, 14 Mar 97, w/Atch

cc:
OASD(HA)/HB&P

Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR MOBILITY COMMAND

14 MAR 1997

MEMORANDUM FOR HQ USAF/SG

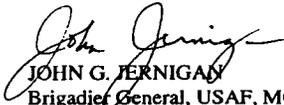
FROM: HQ AMC/SG
203 W. Losey St., Rm. 1180
Scott AFB IL 62225-5219

SUBJECT: Follow-up Audit Report on the Aeromedical Evacuation System (Draft)

1. Reference subject report, Project No. 6LF-0048, recommendations for corrective action (pg 6). I do not concur with items 1.a., 1.b., and 1.c.. Specifically, the estimated monetary savings due to a reduction of the CONUS C-9A flying hour program (FHP) are grossly overstated. The attached spreadsheet illustrates the lack of significant savings achieved from contract logistic support (CLS) with the C-9A reductions in flying hours. As the spreadsheet shows, the C-9A flying hour program has been reduced from 17,211 in FY94 to 11,925 in FY97 with minimal contract cost reductions. Specifically, it not only shows minimal reductions, but it also shows increased costs in the out-years due to increases in material support (small parts) costs. These costs fluctuate year-to-year based on programmed factors unrelated to flying hours. Further supporting data will be forwarded as received from OC-ALC/LK, the CLS contract management office.

2. I agree with the remainder of the recommendations as written.

3. For more information, contact Capt Wendy Elliott, HQ AMC/SGSA, DSN 576- 4106; Capt Eric Meadows, HQ AMC/SGSC, DSN 576-6094; or Lt Col Fred Hannan, HQ AMC/SGXP, DSN 576-2205.


JOHN G. JERNIGAN
Brigadier General, USAF, MC, CFS
Command Surgeon

Attachment:
CLS C-9A Spreadsheet

AMC—GLOBAL REACH FOR AMERICA

HQ AMC/SGSC

18 Feb 97

Reduced Flying Hour Program Impact on CLS C-9A						
	FY94	FY95	FY96	FY97	FY98	FY99
Programed FH:	17211	15600	13700	11925	10881	9647
Fixed Costs (000)						
COMBS	2092	2377	2505	2094	2149	2215
Engine Depot	125	234	980	649	954	815
Aircraft Depot	-	-	3753	3382	3476	3633
Engineering Support	-	240	290	299	307	325
Sub Total	\$2,217.00	\$2,851.00	\$7,528.00	\$6,424.00	\$6,886.00	\$6,988.00
Variable Costs (000)						
Material Support	10395	11839	15081	14011	13195	13269
PDM & Paint	7200	7308	2349	3900	4138	3827
Engine Overhaul	6594	5342	2300	306	471	489
Hot Section Inspections	3339	2450	900	510	735	545
Engine Repair	640	296	912	1361	1560	1594
Drop-in Maintenance	652	205	720	647	677	692
Out of Scope	185	60	98	695	727	743
Engineering Support	1399	375	220	221	227	238
Program Support	0	28	60	50	53	53
Tech Order Contract	1200	-	-			
Replenishment spares					1746	1785
	31584	27903	22640	21701	23529	23235
Grand Total	\$33,801.00	\$30,754.00	\$30,168.00	\$28,125.00	\$30,415.00	\$30,223.00
* Data taken from						
Budget Brochure						
submitted by OC-ALC						
Tinker AFB OK						
RQMT in Then Year						
\$ In 000						
As of: 31 Dec 96						

ATEL I

Audit Team Members

This report was produced by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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