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The Air Force Continued To Develop the Advanced Logistics System, a Program It Was Directed To Cancel. LCD-78-108; B-163074. April 24, 1978. 30 pp. + 2 appendices (4 pp.).

Report to Rep. John E. Moss; Rep. Charles Roese; by Elmer E. Staats, Comptroller General.

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In December 1975, the House and Senate Committees on Appropriations instructed the Air Force to terminate the design and development of its Advanced Logistics System (ALS), to augment its real-time logistical computers, and to continue only nondeferrable mission-essential projects until a complete assessment of its logistical information requirements was completed and a plan for a new system was prepared.

Findings/Conclusions: Despite congressional instructions to the contrary, the Air Force proceeded with the ALS program. While the Air Force discontinued work on about 82 data systems, major portions of the program which were in various stages of planning and development when the program was cancelled were continued. The work was approved by the Air Force, and the Secretary formally endorsed the work following development of an interim plan. Funding was largely provided from the operations and maintenance account and did not require line item approval by the Congress. From December 1975 to October 1977, the Air Force spent about \$7 million on systems modifications, major redesigns, and new systems developments. The Air Force was planning to spend \$54 million to acquire new automated data processing equipment, about \$44 million of which was to be spent in noncompetitive acquisitions. The Office of the Comptroller of the Department of Defense was aware of the Air Force's actions and was highly critical of them. Congressional directives and funding restrictions were not legally binding; however, such of the Air Force's expenditures regarding systems development did not conform with congressional committees' instructions to limit funding to mission-essential support. (RRS)

6/68

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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

RELEASED 5/3/78

## The Air Force Continued To Develop The Advanced Logistics System--A Program It Was Directed To Cancel

In December 1975, the House and Senate Committees on Appropriations directed the Air Force to

- cancel its Advanced Logistics System Program,
- restudy its logistics information requirements, and
- prepare a plan for a new automated logistical system.

Until a new plan was developed, work was to be limited to mission-essential projects approved by the Secretary of the Air Force.

Despite this direction, the Air Force Logistics Command continued as mission-essential, unapproved work which the Secretary of the Air Force did not formally endorse until late 1976.





COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

E-163074

The Honorable John E. Moss  
The Honorable Charles Rose  
House of Representatives

Your April 11, 1977, letter requested that we inquire into the Air Force's continuation of a major portion of the Advanced Logistics System that was directed to be terminated by the House and Senate Appropriations Committees in December 1975. You identified Project Max as the major element and asked us to address six specific questions concerning that project.

This report contains our answers to those questions as they relate to Project Max as well as to other major Air Force actions that followed the December 1975 instructions. This was necessary because Project Max was a part of an interim plan prepared by the Air Force Logistics Command. We had to evaluate it within the context of that plan and within the Air Force's implementing actions to present our answers in the proper perspective.

At your request, we did not take the additional time needed to obtain written agency comments. However, we did brief agency officials on the matters contained in the report.

As agreed with your office, we will not distribute copies of this report further until 15 days from the issuance date, unless you publicly announce its contents earlier. At that time, we will send copies to interested parties and make copies available to others upon request.

A handwritten signature in black ink, appearing to read "James B. Steinhilber".

Comptroller General  
of the United States

D I G E S T

Because the Air Force was unable to achieve the objectives of its Advanced Logistics System, in December 1975, the House and Senate Committees on Appropriations instructed the Air Force to:

- Terminate its design and development.
- Augment its real-time logistical computers, if necessary.
- Continue only nondeferrable mission-essential projects until a complete assessment of its logistical information requirements was completed and a plan for a new system was prepared. The Committees also instructed the Air Force to keep the Congress fully informed of the Air Force's compliance with the direction. (See p. 3.)

On April 11, 1977, Representatives John E. Moss and Charles Rose asked GAO to determine whether the Air Force was continuing with Project Max--a major segment of the Advanced Logistics System program that was directed to be terminated by the House and Senate Appropriations Committees in December 1975. The Congressmen asked six questions concerning the project; GAO's answers follow.

DID THE AIR FORCE, DESPITE CONGRESSIONAL INSTRUCTIONS TO THE CONTRARY, PROCEED WITH THE ADVANCED LOGISTICS SYSTEM PROGRAM?

The answer to the above caption is yes. While the Air Force did discontinue work on about 82 data systems, major portions of the program, which were in various stages of planning and development when

the program was canceled, were continued. This work was continued while the Air Force Logistics Command prepared an Interim Plan to meet nondeferrable, mission-essential requirements. (See pp. 5 to 8.) Even though the Command had labeled the projects "mission-essential," they lacked justifications to establish mission-essentiality. (See pp. 16 to 18.)

#### WHO APPROVED THE CONTINUING WORK?

This work was approved by the Air Force. On November 5, 1976, the Secretary of the Air Force formally endorsed the work by approving the Command's Interim Plan with conditions that required further justifications. (See pp. 9 and 12 to 16.)

#### HOW MUCH MONEY WAS SPENT OR COMMITTED WITHOUT CONGRESSIONAL APPROVAL?

Funding, which was largely provided from the operations and maintenance account, did not require line item approval by the Congress. From December 1975 to October 1977, the Air Force spent about \$7 million on systems modifications, major redesigns, and new systems developments. Of this amount, about \$3 million was spent on Project Max. Additional funds amounting to \$916,000 were committed for acquiring source data collection equipment. (See pp. 21 and 22.)

#### WHAT SPECIFIC PROCUREMENTS ARE STILL GOING FORWARD, AND ARE ANY NONCOMPETITIVE?

The Air Force was planning to spend \$54 million to acquire new automated data-processing equipment. Of this amount, about \$10 million was to be spent to competitively acquire source data collection equipment for Project Max, and \$44 million was to be spent to noncompetitively acquire six IBM 370/168 computer systems to replace IBM 7080 and IBM 360/40 computers at the Air Force Logistics Command's headquarters and its five logistical centers. The source

data collection procurement has been delayed while requirements are reassessed, and the IBM 370/168 noncompetitive proposal has been dropped from consideration. (See pp. 22 to 24.)

WHAT KNOWLEDGE DID THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE HAVE OF THIS ACTIVITY?

The Office of the Comptroller was aware of the Air Force's actions, was highly critical of them, and had cautioned the Air Force several times of possibly violating congressional guidance. (See pp. 25 and 26.)

WHAT SPECIFIC LAWS AND/OR RULES HAVE BEEN VIOLATED, IF ANY, AND WHAT PENALTIES ARE CALLED FOR?

The congressional directives and funding restrictions contained in the Conference Report directing the termination of the Advanced Logistics System were not legally binding since they were not included in the fiscal year 1976 Department of Defense Appropriations Act. (See pp. 24 and 25.)

However, much of the Air Force's actions and expenditures regarding systems development did not conform with congressional committees' instructions to limit funding to mission-essential support.

At the requestor's direction, GAO did not take the additional time needed to obtain written agency comments. However, GAO discussed the report with agency officials and considered their comments in preparing the report.

# C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	
	The ALS program	1
	Scope of review	1
		4
2	MAJOR SEGMENTS OF ALS PROGRAM CONTINUED	5
	Interim plan included major ALS program objectives	5
	Implicit approval of interim work	9
	Air Staff guidance to AFLC	9
	AFLC reaction to guidance	9
	Interim plan	10
	Mission-essential justification	16
	Communications with the Congress	18
	Conclusion	20
3	COMMITTEES' GUIDANCE NOT LEGALLY BINDING	21
	Interim actions and development funding	21
	New acquisitions	22
	Restriction placed on fiscal year 1976 funds	24
	OSD knowledge of interim actions	25
4	PROJECT MAX	27
	What was Project Max?	27
	Why AFLC continued Project Max after the ALS program was terminated	27
	Was AFLC justified in continuing Project Max?	28
	Project Mini-Max	30
APPENDIX		
I	Letter dated April 11, 1977, from Con- gressmen John E. Moss and Charles Rose	31
II	Principal officials responsible for administering activities discussed in this report	32

## ABBREVIATIONS

ADP	automatic data processing
ADPE	automatic data processing equipment
AFLC	Air Force Logistics Command
ALS	Advanced Logistics System
CDC	Control Data Corporation
DOD	Department of Defense
GAC	General Accounting Office
IBM	International Business Machines
OSD	Office of the Secretary of Defense
RCA	Radio Corporation of America
SAFFM	Assistant Secretary of the Air Force for Financial Management
SAFIL	Assistant Secretary of the Air Force for Installations and Logistics
UCAS	Uniform Cost Accounting System

## CHAPTER 1

### INTRODUCTION

On April 11, 1977, Representatives John E. Moss and Charles Rose asked us to determine whether the Air Force was continuing the Advanced Logistics System (ALS) program that was directed to be terminated by the House and Senate Appropriations Committees in December 1975. The Representatives were concerned that the Air Force was continuing with a major portion of the program by procuring a depot maintenance management system known as "Project Max." They asked us to address the following questions:

1. Did the Air Force, despite specific congressional instructions to the contrary, proceed with this procurement?
2. If so, by whose specific instructions?
3. If so, how much has been spent or committed without congressional approval?
4. What knowledge did the Comptroller of the Department of Defense (DOD) have of this activity?
5. What specific procurements are still going forward, and are any noncompetitive?
6. What specific laws and/or rules have been violated, if any, and what penalties are called for?

### THE ALS PROGRAM

The Air Force initiated a program in 1966 for the Air Force Logistics Command (AFLC) at Wright-Patterson Air Force Base to design and develop a computer-based information and data-processing system called the Advanced Logistics System. This program was intended to modernize AFLC's information and data-processing systems, which numbered about 376 at that time. These systems were used to manage inventories valued at over \$13.8 billion and to provide to all air commands, worldwide, the logistical and technical information needed to maintain their aircraft, missiles, and equipment at top efficiency.

AFLC, whose primary mission is to provide logistics support to the Air Force, completed the master plan for ALS in March 1968. The plan was to design and develop ALS to provide logistical managers at all levels with ready access

to all available data from a common data base. Such access was to be provided through a complex network of computers, communication networks, and remote terminals; whereby specific data could be introduced or displayed in a matter of seconds, minutes, or hours, depending on the urgency of need. The ability to selectively recall data was intended to provide up-to-date information for more prompt and accurate decisions or response to users. AFLC had estimated that ALS would cost about \$821 million to develop, implement, and operate through fiscal year 1979.

The Air Force awarded the ALS computer system contract to the Control Data Corporation (CDC) on April 6, 1972. The design and development work then continued until September 1974, when it was generally suspended because of faulty software and computer equipment. At that time, a major assessment of ALS was undertaken by a group of 126 full-time experts and many part-time people from the academic community, industry, and the Air Force. The group found that serious problems were being encountered in developing ALS. These included unclear definitions of requirements, the inability of CDC to deliver operable computers and software, incomplete testing, concurrent development of operating and application software, the use of unified data base concepts that were new and unproven, system design changes, and others.

When the assessment was completed in January 1975, the group proposed several alternatives, one of which was to terminate the ALS program. However, AFLC did not consider the termination to be a viable alternative and instead proposed to the Secretary of the Air Force that the program be continued on an evolutionary basis. AFLC had recommended:

- Developing a "Get Well Plan"--which would cost \$563 million more to execute than already spent.
- Eliminating the original ALS concept of a single, integrated computer system and a shared, unified data bank.
- Completely replacing the proposed ALS on-line inquiry and data update system with a batch-oriented processing system and retaining an on-line inquiry system that was being operated on an interim basis.
- Realining organization and management strategy.

The Secretary of the Air Force approved the continuation of the program on April 3, 1975, and AFLC began to implement the Get Well Plan. The plan was to eliminate some aging computer systems and to modify and convert about 200 data systems to new computer equipment with some system enhancements. Also, included was development work on (1) the new Depot Maintenance Management System (Project MAX), (2) the Comprehensive Engine Management System, and (3) the Stock Control and Distribution System.

However, on December 10, 1975, the House and Senate Committees on Appropriations, through their Committee of Conference, 1/ instructed the Air Force to terminate the ALS program, which had cost the Government \$250 million. The Committee directed the Air Force to:

- Design and develop a new automated logistics system based on the latest computer technology to satisfy its long-term logistical information needs.
- Thoroughly review Air Force logistical requirements before any new system is developed.
- Use funds only for mission-essential ADP support until a complete assessment of all automatic data processing (ADP) support requirements has been completed and a comprehensive support plan approved by the Secretary of the Defense.
- Operate existing real-time computers until a new system can be designed, tested, and implemented. These computers can be augmented if necessary.
- Purchase the 14 CDC CYBER 70 computers which were acquired for the ALS program. This procurement would avoid the loss of \$55 million in accrued lease credits.
- Restudy the logistical information requirements before initiating any new design effort. Also, the Air Force must determine the management information required to provide improved logistical support for its mission responsibilities.

The Secretary of the Air Force was directed to review the functional applications proposed in the interim period on the basis of mission-essentiality and approve only those

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1/H.R. Rep. No. 94-710, 94th Cong., 1st sess., pp. 35 and 36 (1975).

which could not be deferred until completion of the comprehensive ADP support plan. The committees should be kept advised of all systems being implemented in the interim period.

The Air Force actions in response to these congressional directives have resulted in considerable controversy and have led to investigations by the investigative staffs of the House and Senate Appropriations Committees, the Air Force General Counsel, the Air Force Auditor General, and the Comptroller of the Air Force.

#### SCOPE OF REVIEW

Although our review focused on the specific questions asked by Congressmen Moss and Rose, we needed to review the Air Force's plans and actions in terms of the ALS program and the Interim Plan that AFLC prepared to adequately answer these questions.

The review was done at Headquarters, Air Force Logistics Command, Wright-Patterson Air Force Base, Ohio; the Aerospace Guidance and Metrology Center, Newark Air Force Station, Ohio; Sacramento Air Logistics Center, California; Ogden Air Logistics Center, Utah; Department of the Air Force, Washington, D.C.; and Office of the Secretary of Defense, Washington, D.C.

We interviewed Air Force and Office of the Secretary of Defense (OSD) officials, reviewed events, and analyzed documents which described the status of AFLC's information systems before and after the cancellation of the ALS program. We focused on AFLC's systems development efforts, their plans for the procurement of ADP equipment, and the costs associated with these efforts.

## CHAPTER 2

### MAJOR SEGMENTS OF ALS PROGRAM CONTINUED

The Air Force continued with major portions of the ALS program despite explicit direction from the House and Senate Appropriations Committees to (1) terminate the program, (2) identify its long-range logistical requirements, and (3) prepare a comprehensive plan for automated data-processing support. The continuing work, which included the designing of Project Max and planning for the development of the Comprehensive Engine Management System and the Stock Control and Distribution System, was carried on by AFLC with the implicit approval of the Air Force until November 5, 1976. At that time, the Secretary of the Air Force formally endorsed the work by approving AFLC's Interim Plan.

Although the ALS program was continued, there is no evidence to clearly demonstrate that the Air Force planned to disregard the directions of the committees. It had reasonably interpreted the committees' direction and provided AFLC with adequate guidance for compliance. However, as AFLC identified its mission-essential requirements, the Air Force accepted those needs as being within the constraints of its guidance and permitted AFLC to act contrarily to that guidance and the committees' direction.

#### INTERIM PLAN INCLUDED MAJOR ALS PROGRAM OBJECTIVES

In November 1975, AFLC was implementing its Get Well Plan--a redirection of the original ALS program. We compared this plan and its implementation with the Interim Plan prepared by AFLC after the committees directed the termination of ALS. The Interim Plan included work projects which AFLC believed were mission-essential and could not be deferred while the long-range plan requested by the committees was being developed. The comparison showed that AFLC was continuing major segments of the canceled ALS program in terms of both computer equipment acquisitions and automated data systems redesign and developments. Completion of the Interim Plan would have achieved most of the ALS objectives established in the Get Well Plan.

#### Description of the Get Well Plan-- December 1975

AFLC's Get Well Plan was to produce two separate computer systems--one for batch processing and one for on-line

processing--for each of the five air logistics centers and AFLC's headquarters at Wright-Patterson Air Force Base. This was to be accomplished generally in three phases over a 3-year period ending July 1978.

The first part of the plan was to phase-out outdated International Business Machines (IBM) 7080, Radio Corporation of America (RCA) 301, and Univac 1107 computer systems by transferring most of their workloads to the CYBER 70 computers originally acquired for ALS. This involved about 200 batch-processing data systems, most of which were to be converted without improvements, to operate on the CYBER 70s or to be redesigned to take full advantage of the CYBER 70 capacity and capabilities. The balance was to be replaced by new systems which included a number of systems that would initially be converted and/or redesigned to operate on the CYBER 70 computer.

In the next phase, AFLC was to replace six IBM 360/40 computer systems used to support the AFLC Retail Stock Control and Distribution System. New computers from the IBM 360 or 370 computer line were to be acquired to provide AFLC with the on-line data-processing capability needed for the long term. This was to be followed by the development of new systems for both batch and on-line processing. The new developments included Project Max, the Comprehensive Engine Management System that was to be supported by the CYBER 70 computers, and the Stock Control and Distribution System that was to be supported by the IBM 360 or 370 computers.

#### Status of the Get Well Plan--December 1975

When the Conference Report directed termination of the ALS program on December 10, 1975, the command had completed work on 23 of the data systems and was nearing the phase-out of the Univac 1107 computers and the RCA 301s. It had also completed an equipment replacement study and was planning and developing its new systems. While AFLC suspended planned modifications on about 82 data systems as a result of the Conference Report, it did continue work on about 90 data systems including major development projects. Most of this work was continued while AFLC was planning its interim requirements despite the Conference Report directive that all work should be stopped except mission-essential work approved by the Secretary of the Air Force. This matter is discussed below.

#### Comparison of Interim Plan with Get Well Plan

AFLC's Interim Plan proposed a 5-year ADP program from fiscal year 1977 through fiscal year 1981. It provided for

51 work projects labeled by AFLC as mission-essential because of the benefits that could be achieved by their completion. These projects consisted of 5 major redesigns, 8 new systems developments, and 38 system modifications. We found that most of the major projects were a part of the Get well Plan or were added to it, and were already in various stages of planning and/or development when the ALS program was canceled. These projects and their status in December 1975 are shown below.

Minor system improvements

The 38 system modification projects were classified as minor improvements requiring about 144 man-years of effort. They were not specifically included in the Get Well Plan. However, they represented design changes affecting 30 data systems that were a part of the plan and were a part of the work that the Conference Report directed the Air Force to terminate in December 1975. At that time, the projects were in various stages of design and development and were continued while the Interim Plan was being prepared and reviewed within the Air Force. The following chart delineates systems improvements.

<u>Major redesign</u>	<u>Status</u>	<u>Total estimated man-years</u>
Project Max	Development	178
Stock Control and Distribution System	Planned	1,843
Equipment Item Data Bank	Development	42
Comprehensive Engine Management System	Planned	86
Automated Technical Order System	Planned	Not determined

New systems

Initial Requirements Computation	Planned	Canceled April 1977
Integrated Logistics Data File	Planned	Canceled April 1977
B1 Integrated Logistics Data File	Development	33
F16 Integrated Logistics Data File	Development	11
Equipment Allowance	Development	18
Registered Support Equipment Management System	Development	6
Recoverable Item Central Leveling System	Planned	10
Provisioning System	Development	23

## Proposed acquisition of computers

The Interim Plan also proposed the acquisition of six large IBM 370/168 computer systems. These were to (1) replace the IBM 360/40s, (2) provide additional capacity and capability needed for the new on-line Stock Control and Distribution System, and (3) allow the phase-out of 15 IBM 7080s and 24 associated IBM 1401s. The phase-out was to be accomplished in late 1979 by the transfer of some 100 data systems operating on the IBM 7080s to the new computers without a major reprogramming effort. Those data systems included those scheduled under the Get Well Plan for transfer to the CYBER 70 computers.

We found that the proposed acquisition was also a part of the Get Well Plan that AFLC had been pursuing since at least May 1975. By June 1976, AFLC had evaluated its on-line requirements and had selected the IBM 370/168 computer to replace the IBM 360/40 because of its compatibility with the IBM 360/40. This compatibility would have allowed AFLC to continue operating its on-line data systems while the new Stock Control and Distribution System was being developed and phased in incrementally. AFLC incorporated this proposal into the Interim Plan because it believed acquiring the IBM 370/168 computers was a practical and economical way to phase-out IBM 7080 computers and to obtain the computer capacity and capability needed for its on-line requirements.

Our evaluation of the Interim Plan and its implementation showed that the Air Force continued with major segments of the ALS program. The completion of the plan would have generally achieved the major objectives established in the Get Well Plan including the development of two separate computer systems--the CYBER 70 computers for batch processing and the IBM 370/168s for (1) on-line processing, (2) the phasing out of the outdated computers, and (3) redesigned and new systems, such as Project Max, the Stock Control and Distribution System, and the Comprehensive Engine Management System.

In making our evaluation, we did not determine whether the work projects included in the Interim Plan were mission-essential primarily because "mission-essential" was not defined by AFLC or the Conference Report. However, we did address the overall issue of mission-essentiality, which is discussed on page 16.

## IMPLICIT APPROVAL OF INTERIM WORK

AFLC continued working on major segments of the ALS program while it was developing the Interim Plan and while that plan was being processed through the Air Force's review and approval process. Air Force officials were fully aware of the continuing work but allowed it to continue despite the Air Force's instructions to AFLC that only mission-essential work approved by the Secretary of the Air Force should be undertaken. The implicit approval of the continuing work was based on the assumption that the work was within the constraints of the congressional guidance and would be adequately justified as mission-essential to obtain the Secretary of the Air Force's approval. These matters are discussed below.

## AIR STAFF GUIDANCE TO AFLC

Within a week of the Conference Report, the Air Staff provided guidelines to assist AFLC in developing a plan for compliance. It directed AFLC to (1) purchase the installed CYBER 70 computers, (2) assess its long-term logistical information needs, and (3) provide a concept and plan for a new automated logistics information system as instructed by the Conference Report. It also instructed AFLC to retain its existing real-time computers until the new logistics system was developed and to augment them if necessary and approved by the Secretary of the Air Force.

The Air Staff further instructed AFLC that conversions and new developments, such as Project Max, could be pursued in the interim only if they were mission-essential and only after approval by the Secretary of the Air Force. For this purpose, AFLC was to develop alternatives for accomplishing mission-essential work and was expected to present them to the Air Staff on January 7, 1976. An interim ADP support plan was expected to follow as soon as possible after that date.

## AFLC REACTION TO GUIDANCE

Upon receiving the Air Staff guidance on December 16, 1975, AFLC requested its operating divisions to identify and justify ADP projects that were mission-essential. This information was to be submitted to the command by December 19, 1975, 3 days after the Air Force officially terminated the ALS program. At the same time, the command canceled its contract with CDC for analytical support and advised the corporation of its intent to exercise the

contract purchase option. After informing the Congress about the details of the purchase, it exercised the option on February 11, 1976. With the \$55 million accrued credits and \$13 million of procurement moneys previously provided by the Congress, the Air Force purchased 14 CYBER 70 computers. The balance of the funds in the procurement accounts, amounting to \$14.35 million, was returned to the Treasury in March 1977 as directed by the Conference Report. In the meantime, AFLC was developing its interim support plan as directed by the Air Staff and continued its development work.

### INTERIM PLAN

The Interim Plan, which was for a period of about 2 years or until a long-range plan was developed and approved by the Secretary of Defense, was forwarded by AFLC to the Air Staff on February 17, 1976. It anticipated that the plan would be approved by the Secretary of the Air Force in March 1976. However, while the plan was being reviewed within Air Force's headquarters, a number of problems were identified which required that the plan be revised and resulted in delaying the Secretary of the Air Force's approval.

One problem was that AFLC had not identified mission-essential criteria and provided full justification for the planned work. Also, IBM had announced that it was going to discontinue maintaining IBM 7080 computers in December 1979.

Because of these problems, the Air Force's Assistant Deputy Chief of Staff for Systems and Logistics and the Vice Commander of AFLC jointly reviewed the Interim Plan on April 2, 1976. Following this review, the Assistant Deputy Chief of Staff for Systems and Logistics advised AFLC to update its Interim Plan to facilitate obtaining Secretary of the Air Force approval of non-deferrable, mission-essential work. The update was to include full identification and justification of interim requirements as well as

- equipment alternatives,
- provisions for the termination of the IBM 7080 maintenance contract,
- AFLC's proposal for using IBM 370/168 computers, and
- Project Max and Stock Control and Distribution system requirements.

The Deputy Chief of Staff also told AFLC that Project Max was to be justified and approved in accordance with Air Force Regulations and the Director of Data Automation would seek support of the IBM 370/168 equipment procurement from the General Services Administration.

In his memorandum to AFLC, the Deputy Chief of Staff did not define mission-essential nor instruct AFLC to discontinue Project Max and other work pending approval of the plan although at that time it was widely known throughout the Air Force that the work was continuing. In April 1976, OSD had reviewed AFLC's actions to comply with the congressional guidance and had reported for the record that AFLC was considering all current programs as mission-essential. In addition, substantial correspondence within the Air Force clearly showed that Project Max was continuing. Various Air Force officials stated that they were aware of the continuing work and allowed it to continue because they believed that it would be approved within a short time frame.

#### Revised Interim Plan

The revised plan was submitted to the Air Staff in June 1976. That plan expanded the interim period from 2 to 5 years and proposed the sole-source acquisition of six IBM 370/168 computer systems to replace the IBM 7080s and IBM 360/40s. It also proposed other major actions that were contrary to the congressional direction to pursue only mission-essential projects while (1) restudying its logistical information requirements and (2) preparing a long-range plan for designing and developing a new automated logistical system. These proposals included major redesigns and new developments including Project Max, Comprehensive Engine Management, and the Stock Control and Distribution systems. The proposals were presented by AFLC as mission-essential.

The command prepared a 5-year plan because the IBM announcement concerning the IBM 7080s had negated its plans to retain those computers indefinitely. It believed that immediate actions had to be taken in the interim to guarantee continuity of mission-essential ADP support in the period beyond 1979 and that no time was available to await development of the long-range plan. Also, AFLC had adopted a system development philosophy of building on present capability.

The new approach was to allow AFLC to modularly upgrade its existing data systems over an extended period of time. The Interim Plan represented the first phase of this modular

growth and the long-range plan was to be a continuation of it. As a consequence, the purpose of the Interim Plan was changed from identifying and obtaining approval of mission-essential requirements to obtaining approval of AFLC's long-range strategy.

### Review of Interim Plan

When the plan was submitted to the Air Staff on June 25, 1976, the definition of mission-essential work, which was to have been the basis for the plan, and criteria for evaluating the validity of the work projects contained in the plan had not been developed. Despite these shortcomings the plan was reviewed within the Air Staff and approved by the Vice Chief of Staff on September 14, 1976. We found no major objections within the Air Staff about the lack of definition and criteria, and the inclusion in the plan of work projects, such as Project Max, the Comprehensive Engine Management System, and the Stock Control and Distribution System, that lacked adequate mission-essential justification.

In September 1976, the plan was submitted for review to the Assistant Secretary of the Air Force for Financial Management (SAFFM) and the Assistant Secretary of the Air Force for Installations and Logistics (SAFIL). During this period, a definition of mission-essential was formulated for use as a benchmark in evaluating the projects contained in the plan. The definition, developed by SAFIL, generalized mission-essential work as work that could be completed with minimum risk in the near term and necessary to sustain or enhance AFLC's capabilities. It had no real restraining criteria and no impact on the review process because it supported the justifications of the work projects. Consequently, the major proposals were allowed to remain in the plan basically unchanged and unchallenged. The issue of mission-essentiality, including the Air Force's definition is addressed on pages 16 to 18.

### Secretary of the Air Force's approval

After the reviews were completed, SAFFM and SAFIL developed the Air Force's position on non-deferrable, mission-essential work and ADP resources. These are summarized below.

- Approval of automation resources, including resources for automation of mission-essential, non-deferrable applications, will be in accordance with existing Air Force regulations.

--Work may continue on mission-essential, non-deferrable applications while appropriate approvals are being sought. However, the due date for approval of continuing work is March 1, 1977.

--Work categorized as system maintenance/minor modification is recognized as ongoing and necessary to meet daily operational needs. Their development and implementation should continue. The Air Force will not notify the House and Senate Appropriations Committees of this work.

--Work categorized as non-deferrable modifications should continue within the limits of existing resources. The Air Force will not notify the Committees of this work.

--Work categorized as major redesign and development is in various stages of review, validation, and approval by the Air Force. These initiatives will be pursued in accordance with Air Force regulations. This work will be identified to the House and Senate Appropriations Committees when approved for implementation.

--AFLC will submit an interim computer augmentation plan by December 31, 1976, for SAFFM approval and coordination with SAFIL. The plan will examine all prudent alternatives and contain provisions for the transition from interim-augmented automatic data processing equipment (ADPE) to the ADPE capability to be contained in the long-range plan.

--The Congress will be kept informed of Air Force progress in implementing the guidance in the Conference Report, with the first report to be submitted within 60 days of the Secretary of the Air Force's approval of the Interim Plan.

SAFFM and SAFIL proposed the positions to the Secretary of the Air Force early in November 1976 and prepared a memorandum for his signature to endorse them as guidelines or the basis for approving and implementing the interim plan. This memorandum, which was for the Air Force's Vice Chief of Staff, stated in part:

Interim Plan - Together with SAFIL and SAFFM, I have reviewed the Interim Plan prepared by AFLC. SAFIL, as the senior Air Force logistics policy official, has been delegated the authority and has approved for continuing interim work the non-deferrable mission-essential logistics functional applications identified in the Interim Plan. This approval is subject to the guidelines and procedures contained in Attachment 2." 1/

The Secretary of the Air Force signed this memorandum on November 5, 1976. Since then, the Air Force has recognized this to be the Secretary's approval of the Interim Plan and formal endorsement of AFLC's continuing work.

Approval allowed AFLC to continue its development efforts

The Secretary's approval of the plan was required to assure the House and Senate Appropriations Committees that only mission-essential work was being pursued and to authorize AFLC to do that work. However, the Secretary did not provide blanket approval of those proposals contained in the Interim Plan. Instead, he established guidelines for AFLC to obtain approval of specific work projects and allowed AFLC to continue unapproved work until March 1977. At that time, AFLC was to suspend all work that was not completed or fully justified in accordance with Air Force regulations.

The approval of the plan and the implementing guidelines allowed AFLC to complete many projects before the suspension date and make substantial progress on others while going through the approval process for the remainder. By March 1977, in addition to being heavily committed to Project Max, AFLC had completed 18 of the 51 projects and substantially completed 18 others. The rest were in various stages of development. AFLC was committed to Project Max to the extent that SAFFM allowed it to continue beyond March 1977 on a month-to-month basis without it being formally justified and approved. The major development work that was continued after the ALS termination was not in strict compliance with Air Force rules and regulations, which require approval at the Air Force headquarters. However, this work was generally known at the Air Force staff and was subsequently endorsed by the Secretary of the Air Force in November 1976.

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1/The guidelines contained in Attachment 2 are summarized on pp. 12 to 14.)

The Air Force's position on the continuance of unapproved work was stated by SAFFM in May 1977 during special hearings on ALS before the Senate Committee on Appropriations. That position as quoted from the hearings follows.

"\* \* \* The Air Force had to choose a course of action that would allow mission essential work to continue without either violating, or appearing to violate, the congressional guidance.

"To be absolutely certain there would be no risk of appearing to violate the guidance, the Air Force could have summarily cancelled Project Max and related applications, but that action would have had two serious repercussions. First, we would have abandoned a number of initiatives to improve depot maintenance management--initiatives which logisticians were firmly convinced would ultimately be approved by the Air Force Secretary as mission-essential and non-deferrable. Second, we would have been forced to disband and dissipate our development team of logistics and data automation experts at Hill AFB. \* \* \*"

\* \* \* \* \*

"Consequently, the Air Force chose the path of allowing work to continue on selected applications while plans and justifications were being prepared and approved. While the Air Force had expected that the Interim Plan would be prepared and approved in the February to April timeframe, our expectations were steadily eroded, and the plan did not arrive at the Secretariat in final form until September. In retrospect, one can understand how the continuance of work on selected applications coupled with the unexpected delay in finalizing an interim plan may have exposed the Air Force to the appearance of violating congressional guidance. However, Air Force personnel in responsible positions repeatedly emphasized the need to comply with congressional guidance and there was no deliberate attempt at violation."

The Air Force's position on the continuing work was understandable because the Air Force was faced with a dilemma. It had the choice of (1) fully complying with the guidance by immediately stopping all work at the expense of abandoning improvement projects in which resources had been invested or (2) continuing work in anticipation of

it being approved as mission-essential, which had the risk of failing to comply with the guidance. However, while we understand this dilemma, Air Force officials did not act quickly or prudently to resolve the key issues of mission-essentiality, Project Max, and the sole-source acquisition of the IBM 370/168s, which were delaying finalization of the Interim Plan and precluding the Air Force from fully complying with the congressional guidance.

We believe that the issues could have been resolved had Air Force officials clearly defined mission-essentiality and required AFLC to provide justification in accordance with that definition, or by seeking congressional advice as to what work should be continued. Responsible officials were presumptions in assuming that AFLC's continuing work was mission-essential in the absence of a clear definition and particularly in view of the fact that the matter had been the subject of congressional guidance. This matter is further discussed below.

#### MISSION-ESSENTIAL JUSTIFICATION

AFLC did not clearly establish in its Interim Plan that the work projects were non-deferrable, mission-essential projects. It did not specifically define mission-essentiality nor establish criteria for substantiating non-deferrable work as part of its planning process. In lieu of this, it labeled the project justification as "Mission Essential Benefits" and "Impact If Deferred" to give the projects a connotation of mission-essentiality. However, the justification related mostly to system enhancements and increased efficiency. They were not sufficient to establish the credibility of the projects' mission-essentiality as illustrated in the following examples of justifications taken from the Interim Plan.

"MISSION ESSENTIAL BENEFITS: Provide additional file maintenance products and better use of data already on file. Diminished manual effort required for file maintenance. Increased system capability to support depot level repair activities."

\* \* \* \* \*

"MISSION ESSENTIAL BENEFITS: Provide a capability to assess reliability and maintainability for selected, registered assets. Provides a means to evaluate inspection intervals, and to more accurately forecast wearouts and overhaul requirements. Implementation of the DAR [Data Acquisition Requirement] will also permit the improvement of support equipment modification and management."

\* \* \* \* \*

"IMPACT IF DEFERRED: The manual management and updating of kits lists will continue. \* \* \*

\* \* \* \* \*

"IMPACT IF DEFERRED: Deferral will cause continued delays resulting from manual address label preparation and reduce AFLC response time in preparing military assistance shipments."

Responsible Air Force officials were cognizant of the importance and need to define mission-essentiality and considerable informal discussions regarding a specific definition occurred during the spring and summer of 1976. However, it was not until late summer that a definition was finally developed. At that time, the Interim Plan was being reviewed within the Office of SAFIL and the definition was to be used as a benchmark for evaluating the plan. The definition, which was incorporated into the Executive Summary of the Interim Plan, described mission-essential as follows:

"Mission-essential non-deferrable functional applications are those which are deemed feasible and those with the greatest potential to contribute positively to AFLC mission support in the near term. Specifically, the non-deferrable actions are necessary to sustain and enhance logistics support capabilities in the face of past fact-of-life reductions in AFLC manpower and dollar resources, and/or are necessary to provide capability to implement OSD policy directives or GAO recommendations, and/or are necessary to accommodate support requirements associated with the accelerated acquisition of sophisticated new aircraft systems."

The Interim Plan was subsequently approved by the Secretary of the Air Force with this definition supporting the work projects.

In our opinion, the Air Force's definition was not a reasonable interpretation of the congressional guidance requiring the Secretary of the Air Force to review the functional applications proposed in the Interim Plan on the basis of mission-essentiality and approve only those applications which cannot be deferred until completion of the comprehensive ADP support plan. This guidance was

clearly intended to limit the command's work, but the Air Force's definition did not provide any constraining criteria and permitted all work that was feasible and had the greatest potential to contribute positively to AFLC mission support in the near term.

### COMMUNICATIONS WITH THE CONGRESS

The Conference Report instructed the Air Force to keep the House and Senate Appropriations Committees advised of all systems being implemented during the interim period. In the 15 months between December 1975, when the termination of ALS was directed by the Conference Report, and March 1977, when the status of ALS became a major issue, the Air Force made three formal self-initiated contacts with the congressional committees, one indirect contact through OSD, and three informal contacts that were in response to requests from committee staff members. None of these contacts sought congressional advice as to what work could be accomplished or fully explained the issues being encountered in the Air Force's efforts to comply with the congressional guidance.

#### Initial contacts were timely

The first contact was a January 28, 1976, letter advising the Chairmen of the Senate and House Appropriations Committees that the Air Force was going to purchase the CYBER 70 computer systems as directed by the Conference Report. This was followed by an informal contact in February 1976 with staff members of the committees. The Air Force advised them that the ALS program was officially terminated on December 15, 1975, that AFLC was finalizing its interim requirements, and that the Secretary of the Air Force's approval of the Interim Plan was expected in March 1976.

The next contact was made by the Office of the Assistant Secretary of Defense (Comptroller) in April 1976. In that contact, a packet of information outlining actions taken and planned by the Air Force was provided to the committees with a notation that the Interim Plan was expected to be completed by June 30, 1976, and submitted to OSD by July 31, 1976. The committees were also told that they would be kept advised of all program actions.

#### Committees were not fully informed

No further contacts were made until September 8, 1976. On that date, the Air Force sent a brief letter to each of

the committees to comply with the requirement that the committees be kept advised of all mission-essential work being accomplished during the interim period.

The letter provided some information on mission-essential work completed since the Conference Report and on work planned to be completed during the interim period. The information was general and did not fully disclose the extent of the work--completed and planned--in terms of specific work projects, such as Project Max, milestones, resources required, and mission-essential rationale. Also, the letter did not mention the work that was continuing on the IBM 370/168 proposal, although it did refer to the IBM announcement discontinuing maintenance on IBM 7080 computers in December 1979 and the need to evaluate alternative proposals for resolving the IBM 7080 maintenance problem.

#### Air Force delayed full disclosure of interim requirements

When the Interim Plan was approved on November 5, 1976, the Secretary of the Air Force directed that the Congress be informed of Air Force progress in implementing the guidance in the Conference Report within 60 days.

The Air Force report to the Congress, which identified the non-deferrable, mission-essential work projects (including Project Max) and provided the committees with an executive summary of the Interim Plan, was prepared, coordinated, and approved within the Air Staff by December 29, 1976. But it was not sent to the committees until February 23, 1977, because of the change in administrations and concerns raised within the Office of SAFFM. These concerns included telling the Congress that it took the Secretary almost 1 year to issue any guidance and that unapproved work was continued for 14 months. Concerns were also expressed about the sole-source acquisition of the IBM 370/168 computers, which SAFFM did not support and whether the Congress should be provided a copy of the executive summary of the Interim Plan.

While the report was being processed, the House Committee on Appropriations became concerned that the Air Force had not terminated ALS as directed. On January 31, 1977, and February 17, 1977, the Air Force provided information to the committee to defend its actions as being within the congressional guidelines. Because of the congressional concern and the release of information about AFLC's interim work, the report was released to the committees on February 23, 1977.

It was not until this report, and then only after some inquiries and requests for information by the Congress, that the Air Force identified Project Max and the Stock Control and Distribution System to the Congress as major system re-designs. Congressional concerns continued and finally culminated in hearings by both the House and Senate Appropriations Committees during May 1977.

## CONCLUSION

The delays in reporting to the congressional committees can be attributed to many factors. However, the congressional guidance was certainly prime evidence of congressional concern over past and future logistical systems development and should have been the directing force in any decision made by the Air Force. The controversial aspects of congressional intent, mission-essentiality, continued unapproved work, the similarity between the canceled ALS program and the Interim Plan, the proposed sole-source procurement of IBM 370/168 computers (discussed on page 23), and increasing concern within the Air Force over compliance with congressional guidance should have alerted Air Force officials to the need to alert the Congress of its problems and keep it informed. At the least, congressional guidance could have been sought to clarify intent and obtain support for Air Force actions.

## CHAPTER 3

### COMMITTEES' GUIDANCE NOT LEGALLY BINDING

The Air Force has spent about \$7 million on its interim ADP actions since December 1975 of which \$3 million were spent on Project Max. It was also planning to spend an additional \$54 million to procure new automated data-processing equipment. Of the latter amount, about \$10 million was to be spent to competitively acquire source data collection equipment for Project Max and \$44 million was to be spent non-competitively to acquire new computer systems to replace the IBM 360/40 and IBM 7080 systems at AFLC's headquarters and its five logistical centers. These proposed acquisitions have been deferred as a result of the congressional inquiries into Project Max.

Much of the expenditures for the interim actions may not have conformed with congressional committee intent to limit funding for the ALS program to mission-essential support until a complete assessment of all ADP support requirements has been completed and a comprehensive support plan has been approved by the Secretary of Defense. However, the Congress did not include this limitation in the Appropriations Act. Consequently, the failure to conform with congressional committee instructions does not constitute a violation of any legal requirement.

The Office of the Assistant Secretary of Defense (Comptroller) was aware of the Air Force's interim actions. Officials of that office participated in reviews of the interim work at Headquarters, AFLC, and were critical of the Air Force's actions. Further, the Comptroller had reduced funding of these actions in fiscal years 1977 and 1978 by \$6.4 million on the basis that they were not in concert with the congressional direction.

### INTERIM ACTIONS AND DEVELOPMENT FUNDING

The expenditures of funds which may not be in compliance with congressional committee directions were related to major development work carried on by AFLC since December 1975. The work is outlined in the Interim Plan approved by the Secretary of the Air Force in November 1976 and is comprised of three major areas--modification, major redesign, and new development. Of the \$7 million spent on this work from December 1975 to October 1977, \$3 million was used for the development of Project Max. The balance of the

funds was spent on the Stock Control and Distribution System, the Comprehensive Engine management System, and other projects that AFLC continued after the ALS program was canceled. (See p. 7.) Funding was largely provided from the operations and maintenance account.

#### NEW ACQUISITIONS

On January 12, 1977, SAFFM approved funding of \$916,000 for source data collection equipment designed to collect actual job order hours as part of Project Max. Subsequently, in April 1977, AFLC released a request for proposal through Hanscomb Air Force Base, Massachusetts, for a fixed-price, indefinite-quantity contract for that equipment. The contract was to provide the options to lease or lease with option to purchase and was to be renewable annually for 8 years at the option of the Air Force. The equipment was to be prototyped at Hill Air Force Base, Ogden, Utah, during May-July 1978 at the estimated cost of about \$2.3 million. After 90 days of testing, SAFFM was to decide if the system should be used at each air logistics center. If so, equipment for all the centers would be procured during fiscal year 1979. The purchase price for all of the equipment was estimated to be about \$10 million.

The Air Force based this requirement on the need to collect actual hours by job orders. This is in accordance with the guidance contained in the Uniform Cost Accounting handbook (DOD 7220.29H) 1/ issued by OSD (Comptroller) in October 1975.

The Comptroller of the Air Force has recommended that the proposal to procure the source data equipment be reassessed. This action is in conjunction with the Comptroller's recommendation that full implementation of the

---

1/The Uniform Cost Accounting Handbook was issued under authority of DOD Instruction 7220.29 on October 21, 1975. Its purpose was to establish a set of principles, standards, policies, definitions, and requirements for uniform cost accounting and reporting by all DOD Depot Maintenance activities. It would also provide guidance for use by the components of DOD in accounting for and reporting costs of depot maintenance and maintenance support. The official title for DOD 7220.29H is "Department of Defense Depot Maintenance and Maintenance Support Cost Accounting and Production Reporting Handbook."

Uniform Cost Accounting Handbook be deferred pending further study of need and justification. (See p. 29.)

### New computer systems

The Logistics Command also proposed that a non-competitive procurement be pursued to replace the 15 IBM 7080 and 6 IBM 360/40 computers with 6 IBM 370/168 computer systems. The estimated cost of leasing the IBM 370/168 computer systems for the period (fiscal year 1979-81) is about \$44 million. All of the present IBM 7080 and 360/40 systems are owned by AFLC.

AFLC feels that it needs this non-competitive procurement to

- solve the problem created by IBM's announcement in February 1976 that it will discontinue maintenance on the IBM 7080 system in December 1979,
- satisfy the outstanding requirements for several existing on-line data systems, and
- support the Stock Control and Distribution System.

Since the IBM 370/168s can emulate the existing IBM 7080 work and can process all of the IBM 360/40 work without reprogramming, AFLC believes that its acquisition is the correct approach.

While AFLC's requirements may be valid, they were not urgent at the time the Interim Plan was prepared because:

- AFLC was experiencing relatively little downtime with the 15 IBM 7080 computers. Our analysis of the use of the computers for the period November 1976 through April 1977 showed that, on the average they were used about 78 percent of the time they were available. Downtime averaged about 1.3 percent of the time they were operating.
- Maintenance of the 7080s by IBM would continue for almost 3 more years.

In August 1977, the Secretariat recommended that

- the sole-source proposal be dropped from consideration,

- the Air Force initiate a fully competitive procurement,
- the Air Force should act immediately to extend the service life of the IBM 7080s, and
- contingency plans be developed for possible failure of the IBM 7080 systems.

RESTRICTION PLACED ON FISCAL YEAR 1976 FUNDS

When the Conference Report directed that the ALS program be terminated, it also directed that funds should be provided for only mission-essential ADP support of AFLC until a complete assessment of all ADP support requirements had been completed and a comprehensive support plan approved by the Secretary of Defense. As such, no specific dollar restrictions were placed on AFLC except in the context that funds should be provided for only mission-essential ADP support. The Air Force continued development of the systems contained in the the ALS program based on the justification that those systems were essential to their mission.

The Conference Report further directed the Air Force to purchase 14 CDC CYBER 70 computers to use about \$55 million in accrued purchase credits which would have been otherwise lost. AFLC subsequently purchased the 14 CDC CYBER 70 computers for about \$13 million in February 1976 and retained 8 CYBERs to provide ADP support for their information systems. Six were released for use by other Air Force agencies. As directed by the Congress, the remaining procurement funds, totaling \$14.35 million, were returned to the Treasury in March 1977.

These congressional guidelines are stated in the Conference Report accompanying the 1976 Department of Defense Appropriation Act and do not appear in the act. Consequently, there is no legal requirement that they be followed. It has been our consistent position that when the Congress appropriates lump-sum amounts without statutorily restricting what can be done with those funds, there is no legal requirement that executive agencies expend them in accordance with the guidelines set forth in the legislative history. While the executive branch has a practical duty to follow expressions of intent contained in the legislative history, this duty falls short of a statutory requirement.

## OSD KNOWLEDGE OF INTERIM ACTIONS

OSD (Comptroller) has been highly critical of the Air Force while it was pursuing its interim actions. During visits to the AFLC, members of the Comptroller's staff and other OSD officials cautioned the Air Force that it might be in violation of congressional directives. The Comptroller specifically reduced funding for Project Max in an effort to curtail the Air Force's continuing development of that project. Later, members of the Comptroller's staff recommended that all development efforts be limited to only absolutely essential applications and that Project Max be terminated except for those portions dealing with Uniform Cost Accounting.

Comptroller officials felt that AFLC should only continue absolutely necessary operations without significant system revisions while it worked toward its key objective--planning for the long-range system. However, during visits to AFLC in April and May 1976, these officials were disturbed because AFLC was considering all systems under the terminated ALS program as mission-essential.

Their concern centered on two major segments of the terminated ALS program which were being considered mission-essential, non-deferrable by the Command--Project Max and the Stock Control and Distribution System. They believed AFLC was tying Project Max to the Uniform Cost Accounting requirements and using it as justification to insure the future of Project Max as mission-essential. They also thought the Stock Control and Distribution System, which is the largest element of the Interim Plan, appeared to duplicate DOD-wide work to develop a standard system for warehousing and shipping. OSD personnel were also concerned that the Stock Control and Distribution System would require new computer equipment--a requirement contrary to congressional direction.

OSD staff members were further critical of Air Force action during the budget review in November 1976 when the Comptroller cut \$0.8 million for fiscal year 1977 and \$5.6 million for fiscal year 1978, totaling \$6.4 million. Included were funds for the lease of one IBM 370/168. The Comptroller was further concerned that the Air Force's actions might be contrary to the directives outlined in the Conference Report.

The Air Force appealed the Comptroller's decision, and \$2 million was subsequently restored. However, restrictions were imposed which stated that the funding

"\* \* \* provides for the implementation of the depot maintenance cost accounting manual, but not the remaining features of Project Max which still requires economic analysis approval."

Despite these restrictions, the Air Force continued to develop Project Max in its entirety. The Air Force maintained that the program budget decision did not preclude the Air Force from continuing to develop Project Max and that they never intended to implement Project Max without formal approval or to complete development if it was formally disapproved.

In May 1977, members of the Comptroller's staff were again critical of Air Force actions and their use of a broad definition of mission-essentiality. They recommended that the Air Force

- terminate Project Max except for those portions dealing with Uniform Cost Accounting,
- terminate other modifications, redesigns, or development work that was not absolutely essential, and
- terminate plans for on-line processing of the Stock Control and Distribution System.

The Air Force continued its development of Project Max until it was terminated at the recommendation of the Comptroller of the Air Force in September 1977. (See p. 29.)

## CHAPTER 4

### PROJECT MAX

#### WHAT WAS PROJECT MAX?

Project Max was an effort to develop a new depot maintenance management system that would eliminate deficiencies and limitations of the current systems. The new system was to emphasize the management of high-cost/high-volume work-loads and provide improved methods for

- determining workload capability,
- allocating resources,
- establishing production requirements,
- scheduling workload,
- accounting for actual labor hours,
- accumulating all costs to job orders, and
- providing financial management information.

Project Max was started in October 1971 and was incorporated into ALS in May 1974 at which time it was in the detailed specifications stage. Work on the project was suspended in August 1974 for about 1 year because of the problems the Air Force encountered in developing ALS. In September 1975, it was included in the Get Well Plan as an essential requirement.

One of the reasons for its inclusion in the Get Well Plan was that in August 1975, the Deputy Secretary of Defense had directed the military departments to begin immediate implementation of a Uniform Cost Accounting System (DOD Handbook 7220.29H) so that it could be operational by October 1976. The Air Force planned to meet those requirements with Project Max.

#### WHY AFLC CONTINUED PROJECT MAX AFTER THE ALS PROGRAM WAS TERMINATED

Project Max was being developed by the Ogden Air Logistics Center when the ALS program was canceled in December 1975. AFLC continued the project and included it in Interim Plan as a non-deferrable, mission-essential project

because of the requirement to implement the Uniform Cost Accounting System and correct existing deficiencies in the current depot maintenance management system.

AFLC used the cost-accounting requirement as justification although only a portion of Project Max was related to those requirements and despite the development by the Sacramento Air Logistics Center of an interim Uniform Cost Accounting System (UCAS). This interim system, which was to be the existing depot maintenance cost-accounting system modified, emerged because AFLC could not meet the October 1976 deadline.

In December 1975, the Deputy SAFIL had proposed to the Office of the Secretary of Defense a two-phased approach for satisfying the uniform cost-accounting requirements. As the first phase, he proposed the development of UCAS by October 1976 to satisfy most of the requirements, but not the requirement for the collection of actual labor hours which required source data collection equipment. As the second phase, he proposed the completion of Project Max by July 1978 to meet all of the requirements including the collection of actual hours. After much debate, on August 3, 1976, the Assistant Secretary of Defense (Comptroller) agreed with the first phase, which by that time had slipped, and instructed the Air Force to implement UCAS by March 31, 1977, and fully comply with all of the requirements by October 1, 1977.

In the meantime, Project Max was slipping, and in January 1977, AFLC determined that it would not be completed until October 1979, or 2 years later than required. In March and April 1977, AFLC decided to modify UCAS to collect actual hours and initiate acquisition of source data collection equipment which would initially be used with UCAS and then incorporated into Project Max when it was completed.

WAS AFLC JUSTIFIED  
IN CONTINUING PROJECT MAX?

AFLC was not justified in continuing Project Max primarily because it was not a non-deferrable, mission-essential requirement approved by the Secretary of the Air Force. UCAS, which was essentially a modification of the AFLC existing depot maintenance cost-accounting system, was sufficient to satisfy uniform cost accounting requirements. In addition, the immediate elimination of the deficiencies and limitations of the existing depot maintenance management

system was not essential to AFLC's mission and could not be accomplished with Project Max. This was acknowledged in August 1977 by the Comptroller of the Air Force.

In June 1977, the Comptroller of the Air Force headed an Assessment Group to review AFLC's present and planned Depot Maintenance Management Systems. As part of this review, the assessment group provided their own criteria for mission-essential, non-deferrable work.

Such work would encompass any one of the following:

- Development or modification of an automated data system to satisfy requirements of legislation or Secretary of Defense direction.
- Development or modification of an automated data system which is absolutely necessary to ensure AFLC support to an operational readiness requirement related to introduction of new weapon systems.
- Modification of existing automated data system to avoid degrading AFLC's current level of logistics support, material, and services.
- Maintenance of existing automated data systems to correct deficiencies.

When the review was completed, the Comptroller issued a report recommending Project Max be terminated because the project would not resolve deficiencies in AFLC's depot maintenance management system and did not meet the criteria for mission-essential automatic data-processing programs established by the group. However, he did recommend that AFLC should continue the Material Control System of Project Max, because it was nearly complete and would improve material support to maintenance. The Comptroller also recommended that AFLC defer field implementation of UCAS pending further study of need and reassess the source data collection equipment requirements.

On September 2, 1977, the Air Force informed the Congress that it intended to terminate Project Max; however, this decision only affects eight enhancement information systems of Project Max. Those portions, which implement UCAS and the Material Control System, are being pursued. The proposed acquisition of source data collection equipment is being reevaluated.

## PROJECT MINI-MAX

Project Mini-Max, which is an operational maintenance management system supporting specialized requirements of the Aerospace Guidance and Metrology Center at Newark Air Station, Ohio, has been mentioned in connection with Project Max development efforts. While similar conceptually, Project Mini-Max was not a part of Project Max nor was it ever a part of the ALS program. Therefore, when the ALS program was terminated by the Congress in December 1975, Project Mini-Max was not affected.

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CHAIRMAN,  
OVERSIGHT AND INVESTIGATIONS SUBCOMMITTEE

April 11, 1977

Mr. Elmer B. Staats  
Comptroller General  
of the United States  
General Accounting Office  
Washington, D.C. 20548

Dear Mr. Comptroller General:

A major computer system procurement by the Air Force's Logistics Command, named the Advanced Logistics System, is at question here. Originally conceived as an approximately \$800 million purchase, ALS originally consisted of three separate segments; acquisition subsystem, stock control and distribution and depot maintenance industrial fund. The latter is our primary concern.

In the last Congress, the House Appropriations Committee cancelled ALS totally and without recourse (94-1231). The Senate Appropriations Committee concurred in the cancellation, with the proviso that some \$12 million would be allowed to purchase certain peripheral equipment. (Conference report 94-710 of December 10, 1975). Any spending of the latter sum could only proceed after rejustification by the Secretary of the Air Force.

Documents have come into our possession indicating that the Air Force, despite the formal Congressional injunction against procuring the system, continued large-scale procurement of the third element under the Code Name, "Project Max." It is our understanding that work has gone on at Wright Patterson Air Force Base, Newark, Ohio Air Force Station, and Hanscomb Air Force Base in Massachusetts. The rationale used by the Air Force, acting allegedly under General Rogers' instruction, was that the project was "mission essential." Therefore, we seek answers to the following specific

Mr. Elmer B. Staats - 2.

April 11, 1977

questions:

- 1) Did the Air Force, despite specific Congressional instructions to the contrary, proceed with this procurement?
- 2) If so, by whose specific instructions?
- 3) If so, how much has been spent or committed without Congressional approval?
- 4) What knowledge did the Controller of the Department of Defense have of this activity?
- 5) What specific procurements are still going forward, and are any non-competitive?
- 6) What specific laws and/or rules have been violated, if any, and what penalties are called for?

Mr. Comptroller General, we possess extensive documentation on this entire subject. It will be made available to your personnel to assist them in this undertaking, which, because of large sums involved, we urge you to expedite.

Thank you.



John E. Moss  
Member of Congress

Sincerely



Charles Rose  
Member of Congress

PRINCIPAL OFFICIALS RESPONSIBLE  
FOR ADMINISTERING ACTIVITIES  
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
Harold Brown	Jan. 1977	Present
Donald H. Rumsfeld	Nov. 1975	Jan. 1977
ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER):		
Fred P. Wacker	Sept. 1976	Present
Terence E. McClary	June 1973	Aug. 1976
<u>DEPARTMENT OF THE AIR FORCE</u>		
SECRETARY OF THE AIR FORCE:		
John C. Stetson	Apr. 1977	Present
Thomas C. Reed	Jan. 1976	Apr. 1977
James W. Plummer (acting)	Nov. 1975	Jan. 1976
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT):		
John A. Hewitt	Feb. 1978	Present
Arnold G. Bueter (acting)	Sept. 1977	Feb. 1978
Everett T. Keech	Sept. 1976	Aug. 1977
Francis Hughes	Mar. 1976	Sept. 1976
Arnold G. Bueter (acting)	Aug. 1975	Mar. 1976
ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS): (note a)		
Richard J. Keegan (acting)	Feb. 1977	May 1977
J. Gordon Knapp	Mar. 1976	Jan. 1977
Frank A. Shrontz	Oct. 1973	Feb. 1976
ASSISTANT SECRETARY OF THE AIR FORCE (MANPOWER, RESERVE AFFAIRS, AND INSTALLATIONS):		
Antonia H. Chayes	July 1977	Present

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE AIR FORCE (continued)

ASSISTANT SECRETARY OF THE AIR  
FORCE (RESEARCH, DEVELOPMENT, AND  
LOGISTICS):

John J. Martin	July 1976	Present
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COMMANDER OF AIR FORCE LOGISTICS  
COMMAND:

General Bryce Poe II	Feb. 1978	Present
General F. Michael Rogers	Sept. 1975	Feb. 1978

a/The position of Assistant Secretary of the Air Force (Installations and Logistics) was abolished in September 1977, and its functions were divided between the Offices of the Assistant Secretary of the Air Force (Manpower, Reserve Affairs, and Installations) and the Assistant Secretary of the Air Force (Research, Development, and Logistics).

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