

**Federal Aviation Administration Logistics Center
Oklahoma City, Oklahoma
Department of Transportation**

The mission of the Federal Aviation Administration Logistics Center is to ensure the safety of the flying public by providing material support, high quality electronic equipment repair, engineering services, inventory management, and other related services for the National Airspace System and other valued customers. The Logistics Center's workforce is comprised of 558 full time permanent Federal Government employees, 31 temporary employees, and 120 contractors.

The driving force behind the Federal Aviation Administration Logistics Center's improved financial performance was the transition from a "free issue" appropriated funding operation to a revolving fund or fee-for-service operation. Realizing that the free issue approach provided virtually no visibility of costs, and therefore no fiscal accountability, the FAALC requested that the \$120 million appropriation be transferred to a fee-for-service operation. This transition drove other major organizational modifications and changes in their financial systems. The results they realized from this transition are numerous.

A fee-for-service operation was implemented, and the FAALC customers were given "store-credit" allocations for purchases and repairs. This store-credit allocation equaled the entire budget of the Logistics Center. By improving the internal processes and giving customers visibility into the total cost of the equipment order, customers acquired greater accountability for their expenditures. Customer behavior was changed, and efficiencies were realized. The total quantity of orders was reduced by 43.3 percent from fiscal year 1999 to fiscal year 2002; high priority requisitions, which resulted in higher shipping costs, were reduced by 21.7 percent; high priority response time was increased by 42.4 percent (fiscal year 1997 to 2002); backorders were reduced by 75.4 percent; and inventory accuracies increased from 95 percent to 99 percent.

In order to provide more responsive service to their customers, better financial visibility, and better management of assets, the FAALC restructured their organization into a business framework with distinct product lines. This structure provides complete financial accountability within each individual product/service line. Monthly financial statements are now used to measure the effectiveness of expended resources by providing a breakdown of profits and losses by organizational product lines. Business rules in their new financial system can now translate how inventory transactions are processed through the Logistics and Inventory System and how those transactions impact the Logistics Center's financial standing.