



Highlights of [GAO-07-232](#), a report to congressional committees

## Why GAO Did This Study

At a time when U.S. military forces and their equipment are in high demand, effective management of the Department of Defense's (DOD) inventory is critical to ensure that the warfighter has the right items at the right time. The Air Force is the largest contributor to DOD's total on-hand inventory on the basis of inventory value. Under the statutory authority of the Comptroller General to conduct evaluations on his own initiative, GAO determined the extent to which (1) the Air Force's on-order and on-hand inventory reflect the amount of inventory needed to support required inventory levels from fiscal years 2002 through 2005, and (2) the Air Force had shortages in its inventory needed to support required levels during this period. To address these objectives GAO analyzed Air Force secondary inventory data (spare parts such as engines and guided missiles) from fiscal years 2002 through 2005.

## What GAO Recommends

GAO recommends that the Air Force take four specific actions to strengthen the accountability and improve the management of its secondary inventory. DOD generally concurred with our recommendations. However, we do not believe DOD's planned actions fully respond to two of the recommendations in our report.

[www.gao.gov/cgi-bin/getrpt?GAO-07-232](http://www.gao.gov/cgi-bin/getrpt?GAO-07-232).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov).

# DEFENSE INVENTORY

## Opportunities Exist to Save Billions by Reducing Air Force's Unneeded Spare Parts Inventory

### What GAO Found

More than half of the Air Force's secondary inventory (spare parts), worth an average of \$31.4 billion, was not needed to support required on-hand and on-order inventory levels from fiscal years 2002 through 2005, although increased demand due to ongoing military operations contributed to slight reductions in the percentage of inventory on hand and the number of years of supply it represents. DOD regulations provide guidance for developing materiel requirements based on customer expectations while minimizing inventories. However, the value of Air Force on-order inventory not needed to support required inventory levels increased by about 7.8 percent, representing an average of 52 percent (\$1.3 billion) of its on-order inventory. The Air Force has continued to purchase unneeded on-order inventory because its policies do not provide incentives to reduce the amount of inventory on order that is not needed to support requirements. When the Air Force buys these items it may obligate funds unnecessarily, which could lead to not having sufficient obligation authority to purchase needed items and could negatively impact readiness. In addition, although the percentage of the Air Force on-hand inventory was reduced by 2.7 percent due to increases in demand, about 65 percent (\$18.7 billion) of this inventory was not needed to support required inventory levels. GAO calculated that it costs the Air Force from \$15 million to \$30 million annually to store its unneeded items. Of the Air Force's inventory items not needed to support required inventory levels, 79 percent had no recurring demands (such as engines and airframe components), resulting in a potentially infinite supply of those items. The Air Force has continued to retain this unneeded inventory with no recurring demands, in part, because the Air Force has not performed a comprehensive assessment to revalidate the need to continue to retain these items. For the remaining 21 percent of items that had recurring demands, increasing demands resulted in a reduction in the number of years of supply that this inventory represents, with the largest quantity and value of items having between 2 to 10 years of supply. Inventory not needed to support required inventory levels can be attributed to many long-standing problems, such as decreasing demands, retaining items used to support aging weapon systems that have diminishing sources of supply or are being phased out of service, and not terminating contracts for on-order items. Air Force officials acknowledged that decreases in demand have resulted in having more inventory than is needed; however, the Air Force has not evaluated why it continues to experience decreases in demand or taken actions to mitigate the effect of these changes. Without taking actions to reduce its unneeded inventory, the Air Force will continue its past practices of purchasing and retaining items it does not need and then spending additional resources to handle and store these items.

Although more than half of its secondary inventory was not needed to support required levels, the Air Force still had shortages of certain items. From fiscal years 2002 through 2005, the percentage and value of the Air Force's inventory shortages remained the same at about 8 percent and \$1.2 billion.