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Highlights

Highlights of [GAO-05-169](#), a report to the Secretary of Defense

Why GAO Did This Study

Over the past several years, the Air Force has negotiated and awarded more than \$23 million in contracts to the Boeing Corporation for the purchase of certain spare parts for its Airborne Warning and Control System (AWACS) aircraft. Since they first became operational in March 1977, AWACS aircraft have provided U.S. and allied defense forces with the ability to detect, identify, and track airborne threats.

In March 2003, GAO received allegations that the Air Force was overpaying Boeing for AWACS spare parts. This report provides the findings of GAO's review into these allegations. Specifically, GAO identified spare parts price increases and determined whether the Air Force obtained and evaluated sufficient information to ensure the prices were fair and reasonable. GAO also determined the extent to which competition was used to purchase the spare parts.

What GAO Recommends

GAO recommends that the Secretary of Defense direct the Secretary of the Air Force to take action to ensure that contracting officers obtain and evaluate data needed to determine spare parts prices are fair and reasonable, develop a strategy to promote competition to the maximum extent possible in future spare parts purchases, and clarify the Air Force's access to AWACS technical data and drawings. DOD concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-169.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David E. Cooper at (202) 512-4125 or cooperd@gao.gov.

CONTRACT MANAGEMENT

The Air Force Should Improve How It Purchases AWACS Spare Parts

What GAO Found

Since late 2001, the Air Force has spent about \$1.4 million to purchase three ailerons (wing components that stabilize the aircraft during flight), \$7.9 million for 24 cowlings (metal engine coverings), and about \$5.9 million for 3 radomes (protective coverings for the radar antennae). The unit prices for the ailerons and cowlings increased by 442 percent and 354 percent, respectively, since they were last purchased in 1986. The unit price of the radomes, purchased under two contracts, nearly doubled from September 2001 to September 2003. Although some of the price increases can be attributed to inflation, other factors, such as re-establishing production processes and procuring limited quantities of the parts, contributed more significantly to the increases. In addition, the 2001 radome contract included about \$8.1 million for Boeing to relocate equipment and establish a manufacturing capability at a new location.

The Federal Acquisition Regulation (FAR) requires contracting officers to evaluate certain information when purchasing supplies and services to ensure fair and reasonable prices. However, Air Force contracting officers did not evaluate pricing information that would have provided a sound basis for negotiating fair and reasonable prices for the spare parts. Moreover, the Air Force did not adequately consider Defense Contract Audit Agency (DCAA) and DCMA analyses of these purchases, which would have allowed the Air Force to better assess the contractor's proposals. For example, when purchasing ailerons, the Air Force did not obtain sales information for the aileron or similar items to justify Boeing's proposed price and did not consider DCMA analyses that showed a much lower price was warranted. Instead, the contracting officer relied on a Boeing analysis.

None of the spare parts contracts cited in the allegations were competitively awarded—despite a DCMA recommendation that the cowlings be competed to help establish fair and reasonable prices. The Air Force did not develop alternate sources for competing the purchase of the cowlings because it believed it lacked access to technical drawings and data that would allow it to compete the purchase. Yet the Air Force has a contract with Boeing that could allow the Air Force to order technical drawings and data specifically for the purpose of purchasing replenishment spare parts.

E-3 Sentry AWACS Aircraft



Source: Boeing Corporation.