

GAO Highlights

Highlights of [GAO-14-480](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The AFWCF earned revenue of \$21.2 billion in fiscal year 2013 by, among other things, (1) repairing aircraft and engines; (2) selling inventory items (parts); and (3) providing air, land, and sea transportation. Cash generated from the sale of goods and services is used by the AFWCF to cover its expenses, such as paying employees. As requested, GAO reviewed issues related to AFWCF cash management.

GAO's objectives were to determine to what extent (1) the AFWCF monthly cash balances were within the DOD minimum and maximum cash requirements for fiscal years 2009 through 2013 and (2) the AFWCF projected monthly cash balances were within the minimum and maximum cash requirements for fiscal years 2014 and 2015 and if not why. To address these objectives, GAO reviewed relevant DOD cash management guidance, analyzed AFWCF actual and projected cash balances and related data, and interviewed Air Force and United States Transportation Command officials.

What GAO Recommends

GAO is making three recommendations to DOD that are aimed at implementing the Department of the Treasury's daily cash balance initiative and ensuring that the AFWCF receives the appropriate funding if a cash shortfall occurs because of a lack of ARA funding or estimated savings not being realized. DOD concurred with GAO's recommendations and cited related actions planned or under way.

View [GAO-14-480](#). For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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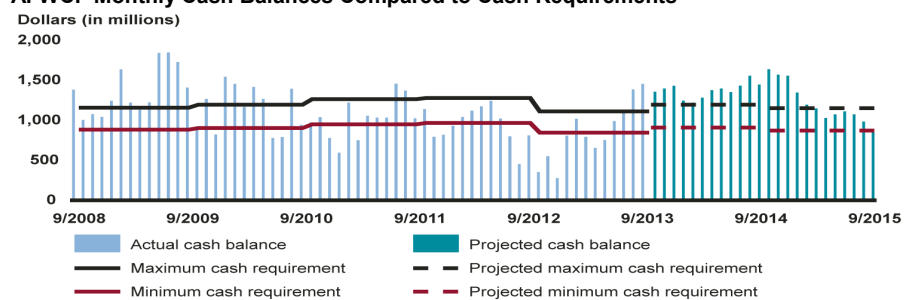
AIR FORCE WORKING CAPITAL FUND

Actions Needed to Manage Cash Balances to Required Levels

What GAO Found

GAO's analysis of Air Force Working Capital Fund (AFWCF) cash data showed that monthly cash balances fell within the minimum and maximum cash requirements about one-third of the time in fiscal years 2009 through 2013. GAO identified three reasons why monthly cash balances were above the maximum or below the minimum cash requirements. First, the cash balance began fiscal year 2009 above the maximum requirement and generally remained above the maximum requirement in fiscal years 2009 and 2010 because the AFWCF charged more than it cost for spare parts. Second, cash balances fluctuated each year because of the cyclical nature of events. For example, in the spring and summer months, the Air Force flies more training missions, which increases revenue for parts and thus the cash balance. Finally, large-dollar transactions caused cash balances to fluctuate above and below cash requirements. These transactions were used to increase cash to pay for costs such as fuel price increases or reduce cash if it was above the maximum requirement.

AFWCF Monthly Cash Balances Compared to Cash Requirements



Source: GAO analysis of AFWCF cash data. | GAO-14-480

AFWCF projected monthly cash balances are expected to fall within cash requirements about 25 percent of the time in fiscal years 2014 and 2015. In managing cash for those fiscal years, the AFWCF faces three challenges:

- The AFWCF plans to implement a Department of the Treasury initiative to provide daily cash balances, instead of monthly balances, in October 2014. Because daily balances are more volatile, the AFWCF faces a greater risk that a cash shortfall would occur. However, the Department of Defense (DOD) has not updated its regulation on receiving daily cash balances.
- Because airlift rates are set to compete with private sector rates, they do not cover the full cost. The difference between the full cost and revenue received is to be provided by the Airlift Readiness Account (ARA) funded by the Air Force. The projected cash balance declines in fiscal year 2015 because the Air Force did not fully fund the ARA by \$927 million. If a cash shortfall materializes, the Air Force stated its intent to fund the requirement from other programs. Without sufficient ARA funding, the AFWCF cash balance is at risk of falling below the minimum cash requirement in fiscal year 2015.
- The AFWCF has included \$620 million in savings from Air Force and United States Transportation Command initiatives in its fiscal year 2015 projected monthly cash balances. If these savings are not realized, the Air Force may need to take action to reduce the risk of a cash shortfall.