



Highlights of [GAO-03-16](#), a report to Congressional Committees

### Why GAO Did This Study

Under 10 U.S.C. 2466, the military services and defense agencies can use no more than 50 percent of annual depot maintenance funding for work by private-sector contractors. The Department of Defense (DOD) is to submit two reports to the Congress annually on the costs of public- and private-sector depot maintenance workloads: a “prior-years” report on the past 2 fiscal years and a “future-years” report on the next 5. Section 2466 also requires GAO to report to the Congress on whether DOD complied with the so-called “50-50 requirement” in the prior-years report and whether the future-years projections are reasonable. This report fulfills that requirement.

### What GAO Recommends

Because of the inexactness of budget estimates beyond the current and upcoming budget years, the future-years report has limited utility. Since GAO cited the same problem in prior reviews and the volatile nature of budget estimates will likely continue, GAO makes the elimination or modification of the future-years-report requirement a matter for congressional consideration. GAO also recommends that the Secretary of Defense act to improve 50-50 reporting in problem areas. DOD agreed with most GAO recommendations, but disagreed with parts of two recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-03-16](http://www.gao.gov/cgi-bin/getrpt?GAO-03-16).

To view the full report, including the scope and methodology, click on the link above. For more information, contact David Warren at (202) 512-8412 or [warrend@gao.gov](mailto:warrend@gao.gov).

## DEPOT MAINTENANCE

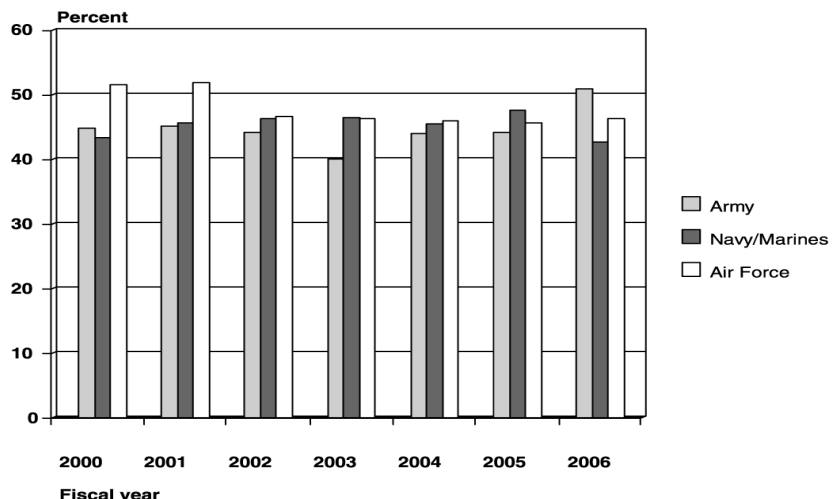
# Change in Reporting Practices and Requirements Could Enhance Congressional Oversight

### What GAO Found

While DOD’s prior-years report for fiscal years 2000 and 2001 showed the U.S. Army and Navy to be below the 50-percent funding limitation on private sector workloads and the Air Force to be above it, continuing weaknesses in DOD’s data gathering and reporting processes prevented GAO from determining with precision whether the services complied with the 50-50 requirement. As in past years, GAO found errors and omissions in the data. For example, the Army erroneously reported workloads at two commands in millions of dollars instead of thousands of dollars, resulting in a \$414 million—or 8 percent—overstatement of both public- and private-sector obligations for the 2 years in total.

Because of the changing nature of budget projections and supporting data deficiencies, the future-years report does not provide reasonable estimates of public- and private-sector depot maintenance funding allocations for fiscal years 2002 through 2006. The services tend to place less emphasis and priority on collecting and validating future-years data. The reported projections are based, in part, on incorrect data, questionable assumptions, and some inconsistencies with existing budgets and management plans. For example, the Navy did not report depot maintenance workloads for a missile system and a ship defensive system, understating funding for private-sector work each year by an estimated \$162 million and public-sector work by about \$80 million.

**Past and Projected Percentage of Depot Maintenance Funds Allocated to the Private Sector, as DOD Reported**



Source: DOD “50-50” Reports, Feb. 4 and Apr. 12, 2002.