



Highlights of [GAO-04-871](#), a report to the Senate and House Committees on Armed Services

Why GAO Did This Study

Under 10 U.S.C. 2466, the military departments and defense agencies can use no more than 50 percent of annual depot maintenance funding for work performed by private-sector contractors. DOD also must submit two reports to the Congress annually on the division of depot maintenance funding between the public and private sectors—one about the percentage of funds spent in the previous 2 fiscal years (prior-years report) and one about the current and 4 succeeding fiscal years (future-years report). As required, GAO reviewed the two DOD reports submitted in early 2004 and is, with this report, submitting its views to the Congress on whether (1) the military services met the so-called “50-50 requirement” for fiscal years 2002-3 and (2) the projections for fiscal years 2004-8 are reasonable estimates. GAO also identified key limitations in the 50-50 process that affect the department’s ability to comply with the 50-50 requirement.

What GAO Recommends

GAO recommends that DOD have a plan to mitigate the potential for exceeding the 50 percent private-sector funding threshold and improve the 50-50 data collection and reporting process so that the 50-50 reports submitted to the Congress are more useful to decision makers. DOD commented on a draft of this report. DOD concurred with the recommendations and cited actions it will take to implement the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-871.

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

DEPOT MAINTENANCE

DOD Needs Plan to Ensure Compliance with Public- and Private-Sector Funding Allocation

What GAO Found

Recurring weaknesses in DOD’s data gathering, reporting processes, and financial systems prevented GAO from determining with precision if the military services complied with the 50-50 requirement in fiscal years 2002-3. DOD data show all the services to be below the 50 percent funding limit on private-sector work. However, as before, GAO found errors in the data that, if corrected, would overall increase funding of the private sector and move each service closer to the limit on contract maintenance. For example, for fiscal year 2003, the Navy did not include about \$410 million in private-sector maintenance work on aircraft carriers and surface ships. Correcting for these and other errors would increase the Navy’s percentage of private-sector depot maintenance funds for that year from the 44.5 percent reported to 47.9 percent. DOD reported significant increases in depot maintenance funding from 2002 to 2003, but these did not result in significant increases in the amount of work performed in DOD depots during that period.

Because some data errors and omissions in DOD’s prior-years report are carried into future years, and changing depot maintenance requirements and fluctuations in budget estimates make projecting out-year data difficult, the future-years report does not represent reasonable estimates of public- and private- sector maintenance funding for fiscal years 2004-8, thereby limiting its usefulness to congressional and DOD decision makers. GAO recommended last year that the Congress consider amending 10 U.S.C. 2466 to require only one report that would cover 50-50 data for the prior year, current year, and budget year. In 2004 the Armed Services Committees proposed changes in title 10 that would adopt GAO’s recommendation. Despite the limitations in the 50-50 data, the trend for this period shows that the services are moving close to the 50 percent threshold, yet they have no plan of action in place to prevent exceeding it. Such a plan would allow for timely actions to be taken to mitigate the potential for exceeding the 50 percent limit for private-sector funding.

Several limitations in the 50-50 process affect the quality of DOD’s 50-50 reporting. First, three of the four military services did not have an independent review and validation of their 50-50 data. Second, training for those who are responsible for collecting, aggregating, and reporting 50-50 data was limited and sporadic. Third, management emphasis regarding the need for accurate and complete 50-50 reporting was lacking.

DOD’s Reported Fiscal Year 2003 50-50 Data and GAO’s Adjustments in Percents

Service	Public work reported	Public work adjusted	Private work reported	Private work adjusted
Army	56.0	57.2	36.9	42.7
Navy/Marine Corps	54.7	51.3	44.5	47.9
Air Force	52.0	51.6	47.7	48.2

Sources: DOD (data); GAO (analysis).

Notes: Totals will not equal 100 percent because of rounding and legislatively excluded public-private partnerships.