



Highlights of [GAO-05-615](#), a report to congressional committees

Why GAO Did This Study

DOD has raised concerns about certain business practices of the Armed Forces Institute of Pathology (AFIP), including its role in civilian medicine. In response, AFIP implemented changes and drafted a business plan. On May 13, 2005, DOD recommended closing AFIP as part of the Base Realignment and Closure process. The Senate Committee on Armed Services, in a report accompanying the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, directed that GAO study AFIP's business plan. GAO (1) described the business plan's key initiatives and projected financial benefits, (2) evaluated the business plan's potential to improve internal controls and achieve financial benefits, and (3) assessed the likely impact of the business plan on the role of AFIP in military and civilian medicine. GAO reviewed the major assumptions and analyses for developing the plan and interviewed AFIP and DOD officials, and members of the civilian medical community.

What GAO Recommends

In order to better manage changes being instituted at AFIP, GAO recommends that the Assistant Secretary of Defense for Health Affairs reevaluate the financial benefits projected in AFIP's business plan so that DOD will have a more reliable estimate of AFIP's revenues and expenses. DOD concurred with GAO's findings and recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-05-615.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marcia Crosse at (202) 512-7101.

ARMED FORCES INSTITUTE OF PATHOLOGY

Business Plan's Implementation Is Unlikely to Achieve Expected Financial Benefits and Could Reduce Civilian Role

What GAO Found

AFIP's business plan has four key initiatives: improving AFIP's business practices, increasing the amount of services it provides for the military, reducing staff, and consolidating its facilities. The business plan describes various efforts in support of each of these initiatives. AFIP estimated that the changes described in its business plan will result in \$17.5 million in annual financial benefits.

Under the business plan, AFIP improved internal controls over some of its operations, particularly over AFIP's consultation services and related finances; however, AFIP has not implemented other internal controls described in the business plan such as developing a system to determine AFIP's costs for performing specific activities. In addition, GAO's review indicated that AFIP is unlikely to achieve all of the financial benefits projected in the business plan. Financial benefits from the business plan will likely be approximately \$5 million—\$12.5 million less than AFIP projected.

In implementing its business plan, AFIP has changed its balance of military and civilian work, and AFIP and civilian pathologists said that these trends are likely to continue. DOD and AFIP officials have stated that they want to preserve AFIP's civilian work but do not want to fund it with increasingly scarce DOD funds. Over the last several years, AFIP has reduced the amount of consultation, research, and education services it provides for the civilian medical community and increased the amount of services it provides for the military. AFIP pathologists told GAO that they expect AFIP's civilian consultation, research, and education to continue to decline in the future. Half of AFIP's 20 department chairs believe that the business plan would negatively affect AFIP's ability to attract top pathologists in the future.

Although DOD recently recommended the closure of AFIP as a part of the Base Realignment and Closure process, the process has not been completed. Until the process is completed, AFIP's inability to achieve its projected financial benefits could result in a budget shortfall because DOD officials said they intend to reduce AFIP's funding by the amount of the financial benefits projected in the business plan.