



Highlights of [GAO-06-989](#), a report to congressional committees

Why GAO Did This Study

To improve fleet support activities, the Navy is consolidating maintenance facilities and converting its shipyards from financing under the Navy Working Capital Fund to funding through direct appropriations (direct funding). Puget Sound Naval Shipyard was converted to direct funding in 2003. The National Defense Authorization Act for Fiscal Year 2006 directed the Navy to assess the impact of converting Puget Sound to direct funding and directed that GAO review the Navy's report. The Navy submitted its report to Congress in March 2006, confirming its position that direct funding was more advantageous than working capital funding and can best satisfy fleet maintenance priorities. GAO's objectives were to evaluate the extent to which the Navy's report (1) provided data and other supporting evidence for its overall assessment of the impact of converting Puget Sound to direct funding, (2) addressed unresolved issues that had been identified in prior studies, and (3) disclosed any other issues that have affected the implementation of direct funding.

What GAO Recommends

GAO is recommending actions to improve total cost visibility, performance measures, and information systems at naval shipyards, and DOD concurred. GAO has added a matter for congressional consideration to assist in addressing information system improvements.

www.gao.gov/cgi-bin/getrpt?GAO-06-989.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William Solis at (202) 512-5140 or solisw@gao.gov.

DEPOT MAINTENANCE

Improvements Needed to Achieve Benefits from Consolidations and Funding Changes at Naval Shipyards

What GAO Found

The Navy's March 2006 report to Congress did not provide data and other supporting evidence for its overall assessment of the impact of converting Puget Sound Naval Shipyard to direct funding. While the Navy reported on the matters specified in the defense authorization act, it did not provide data needed to support the Navy's position that direct funding was more advantageous than working capital funding and can best satisfy fleet maintenance priorities. More specifically, the report did not provide evidence that direct funding had provided for a more agile workforce—the ability to more easily move workers among maintenance projects in response to fleet priorities—which was a key benefit the Navy claimed was achieved by converting to direct funding.

The Navy's March 2006 report did not show data that adequately addressed two key issues—cost visibility and performance metrics—which had been identified as unresolved in prior studies by GAO and others. First, the report did not present the Navy's approach and methodology for achieving total cost visibility for specific work performed. Determining the total cost of delivering specific ship maintenance work is recommended by federal accounting standards and is a key metric for evaluating a consolidated facility's productivity and performance. Although the Navy was attempting to gather cost data to show the full costs of operations at its shipyards, GAO found that the Navy has not developed policies and procedures to routinely and systematically accumulate these total cost data. Second, with respect to performance metrics, the Navy's report did not provide data that demonstrated improved results, such as increased productivity, of consolidating ship maintenance facilities at Puget Sound and converting the shipyard to direct funding. Prior reviews have raised issues related to total cost visibility and performance metrics as unresolved issues and recommended the Navy take corrective actions. While the Department of Defense concurred, it has not yet resolved these issues. Consequently, complete and reliable cost data are lacking for making fully informed decisions related to ship maintenance activities. Further, without performance metrics to measure progress toward meeting goals and objectives, the Navy lacks data needed for evaluating the changes it has made and making fully informed decisions related to the management of consolidated ship maintenance activities.

The Navy's March 2006 report did not disclose shortcomings in its information systems at Puget Sound Naval Shipyard that have hindered its ability to efficiently and reliably meet its financial and business operations reporting requirements. The information systems at the consolidated facility were not designed to provide the types of cost and operational data being requested under direct funding. As a result, the systems have required extensive changes and manual administrative efforts by shipyard personnel to support the consolidated facilities' financial and business operations reports being requested.