



Highlights of [GAO-08-714](#), a report to the Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The five Army depot maintenance activities support combat readiness by providing services to keep Army units operating worldwide. From fiscal years 2004 through 2007, the amount of new orders received to perform work increased 100 percent from \$2.6 billion to \$5.2 billion. The number of new orders is a factor in the amount of work the depots carry over from one fiscal year to the next. While past congressional defense committees recognize the need for carryover, the committees have raised concerns that carryover may be more than needed. GAO was asked to determine (1) the growth in reported total carryover from fiscal years 2004 through 2007 and the actions the Army is taking to reduce the carryover, (2) whether reported carryover amounts exceeded carryover ceilings for fiscal years 2006 and 2007 and adjustments made to reduce those amounts, and (3) the primary reasons for the increased carryover at the five Army depots. GAO analyzed reported carryover and related data at the five depots.

What GAO Recommends

GAO makes eight recommendations to the Department of Defense (DOD) that are aimed at (1) improving the reliability of carryover information and (2) reducing carryover associated with Army depot maintenance activities. DOD concurred with six recommendations and partially concurred with two. DOD commented that it is taking actions on all eight recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-714](#). For more information, contact Paula M. Rascona at (202) 512-9095 or rasconap@gao.gov.

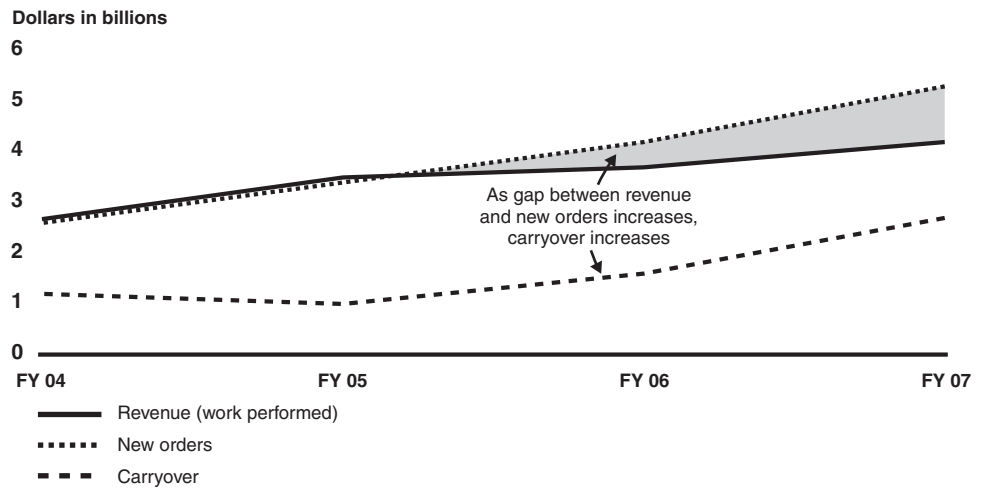
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Actions Needed to Reduce Carryover at Army Depots

What GAO Found

From fiscal years 2004 through 2007, the Army depots' total carryover significantly increased from \$1.1 billion to \$2.7 billion—about 7.6 months of work. The amount of carryover increased because new orders received (about \$9.5 billion) by the depots significantly outpaced the work performed (about \$7.8 billion) in fiscal years 2006 and 2007. GAO analysis of the Army's plan to reduce carryover showed that the depots performed \$293 million more work in the first 3 months of fiscal year 2008 than they performed during the same period a year earlier, but the depots missed their planned goal by \$173 million.

Analysis of Increases in New Orders and Revenue on Army Depot Maintenance Carryover



The Army depots reported that they were under the carryover ceiling by \$67 million in fiscal year 2006 but over the ceiling by \$96.8 million in fiscal year 2007. GAO identified two factors that affected reported carryover amounts. First, the Army Materiel Command directed the Tobyhanna Army Depot to deobligate \$30 million at the end of fiscal year 2006 and reobligate the same amount at the beginning of the next fiscal year, which artificially lowered reported carryover and was not in accordance with existing DOD policy. Second, the Army excluded about \$299.7 million in fiscal year 2007 orders from the carryover calculations. The exemptions for fourth quarter orders from other services and long lead time material did not provide the right incentives for DOD to resolve long-standing problems.

GAO analysis of reports and discussions with Army officials identified four primary reasons for growth in carryover: (1) the Army depot maintenance budget underestimated the amount of new orders during fiscal years 2006 and 2007 by about \$1.7 billion and \$1.5 billion, respectively; (2) the depots accepted orders late in the fiscal year that generally could not be completed by the end of the fiscal year; (3) the depots experienced parts shortages; and (4) the depots did not receive assets that had been scheduled for repair.