



Highlights of [GAO-03-33](#), a report to the Committee on Armed Services, United States Senate, and the Committee on Armed Services, House of Representatives

### Why GAO Did This Study

Under the Navy Marine Corps Intranet (NMCI) contract, the Department of the Navy is obtaining information technology (IT) services that are to allow it to replace thousands of independent networks, applications, hardware, and software with one secure network. The National Defense Authorization Act of 2002 directed GAO to review the impact on IT costs of NMCI at Navy shipyards and air depots, which are predominantly working capital funded activities. Because this funding model requires these activities to recover all costs through charges to customers, GAO also reviewed NMCI's impact on shipyard and depot rates.

### What GAO Recommends

GAO is recommending that the Navy establish a departmentwide means for systematically capturing and resolving NMCI implementation issues that affect the ability of shipyards and air depots to plan and budget.

The Department of Defense concurred with the report.

[www.gao.gov/cgi-bin/getrpt?GAO-03-33](http://www.gao.gov/cgi-bin/getrpt?GAO-03-33).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Randolph Hite, (202) 512-3439 ([hiter@gao.gov](mailto:hiter@gao.gov)), or Gregory Kutz, (202) 512-9095 ([kutzg@gao.gov](mailto:kutzg@gao.gov)).

## INFORMATION TECHNOLOGY

# Issues Affecting Cost Impact of Navy Marine Corps Intranet Need to Be Resolved

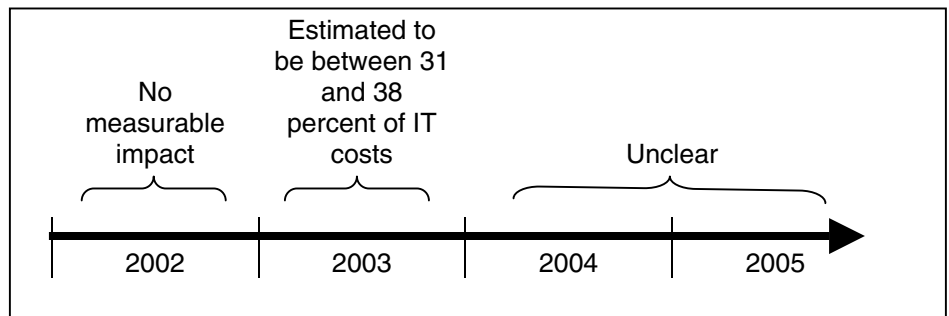
### What GAO Found

To date, NMCI has not measurably affected either IT costs at shipyards and air depots or the rates they charge customers. This is because the network, while originally planned to be in place at these activities in fiscal year 2002, is now not to be implemented at them until the latter part of fiscal year 2003.

For fiscal year 2003, budget estimates show that NMCI will represent about 2 percent of total costs at shipyards and air depots. As a percentage of IT costs, NMCI costs will be more significant: about 38 percent at shipyards and 31 percent at air depots. According to shipyard and depot officials, estimated NMCI costs (which are a component of overhead costs) will not affect the rates charged to customers in fiscal year 2003 because they will be offset by cost reductions in other overhead areas, such as travel, training, and real property maintenance.

Beyond fiscal year 2003, the impact of NMCI on IT costs and rates is unclear, because several issues peculiar to shipyards and air depots are unresolved, such as how the costs of some transition items will be funded and whether these costs will be included in the rates. Also uncertain is when these issues will be resolved, because no specific plans for doing so exist, and no explicit issue management process has been established. As a result, the shipyards' and depots' ability to effectively plan and budget is being impaired.

Impact of NMCI on IT Costs at Shipyards and Air Depots



Source: GAO analysis based on data provided by the Department of the Navy.