



Highlights of [GAO-07-126](#), a report to congressional committees

Why GAO Did This Study

Under 10 U.S.C. § 2466, the military departments and defense agencies may use no more than 50 percent of annual depot maintenance funding for work performed by private-sector contractors. The Department of Defense (DOD) must submit a report to Congress annually on the allocation of depot maintenance funding between the public and private sectors for the preceding fiscal year and projected distribution for the current and ensuing fiscal years for each of the armed forces and defense agencies. As required by Section 2466, GAO reviewed the report submitted in April 2006 and is, with this report, submitting its view to Congress on whether (1) the military departments and defense agencies complied with the 50-50 requirement for fiscal 2005 and (2) the projections for fiscal years 2006 and 2007 represent reasonable estimates. GAO obtained data used to develop the April 2006 report, conducted site visits, and reviewed supporting documentation.

What GAO Recommends

GAO recommends that DOD improve the consistency and accuracy of depot maintenance workload allocation funding data in its 50-50 report to Congress. DOD should ensure that obligations rather than expenditures are reported, and that measures are established to ensure proper accounting of interservice workloads between the public and private sectors. DOD concurred with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-126.

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

DEPOT MAINTENANCE

Actions Needed to Provide More Consistent Funding Allocation Data to Congress

What GAO Found

Although DOD reported to Congress that it complied with the 50-50 requirement for fiscal year 2005, GAO could not validate compliance due to weaknesses in DOD's financial management systems and the processes used to collect and report 50-50 data. DOD's April 2006 report provides an approximation of the depot maintenance funding allocation between the public and private sectors for fiscal year 2005. GAO identified errors in the reported data which, if adjusted, would increase the Army's private-sector funding allocation percentage from 49.4 percent to 50 percent. GAO found that 50-50 funding allocation data were not being consistently reported because some maintenance depots were reporting expenditures rather than following Office of the Secretary of Defense (OSD) guidance and reporting obligations. Combining obligations and expenditures produces an inaccurate accounting of 50-50 funding allocations. GAO also found amounts associated with interservice depot maintenance work may not accurately reflect the actual allocation of private- and public-sector funds because visibility over the allocation of these funds is limited. OSD guidance requires that the military departments establish measures to ensure correct accounting of interservice workloads. In prior years' reports on DOD's compliance with the 50-50 requirement, GAO discussed deficiencies limiting data accuracy and recommended specific corrective actions. While DOD has taken some additional actions to improve the quality of reported data for fiscal year 2005, it has not fully addressed the persistent deficiencies that have limited 50-50 data accuracy.

Reported projections do not represent reasonable estimates of public- and private-sector depot maintenance funding allocations for fiscal years 2006 and 2007 due to data inaccuracies. Errors GAO identified for fiscal year 2005 could affect these projections. If the adjustments GAO made to the Army's fiscal year 2005 data—increasing the private-sector percentage by about 0.6 percentage points—are carried forward, it could move the Army's projection to within 2 percent of the 50 percent limitation for fiscal year 2007. GAO also found that the projected numbers often did not include supplemental funds, which could change the allocation percentages. These errors and omissions affect the reasonableness and accuracy of the reported projections. To avoid breaching the 50 percent threshold in future years, the Air Force is implementing its plan to ensure compliance with the 50-50 requirement until fiscal year 2010. The plan involves moving some maintenance workload, including the F-100 engine, from the private sector to the public sector.