



Highlights of [GAO-03-1023](#), a report to Congressional Committees

Why GAO Did This Study

Under 10 U.S.C. 2466, not more than 50 percent of each military department's annual depot maintenance funding can be used for work done by private-sector contractors. The Department of Defense (DOD) also must submit two reports to the Congress annually on the division of depot maintenance funding between the public and private sectors—one about the percentage of funds spent in the previous 2 fiscal years (prior-years report) and one about the current and 4 succeeding fiscal years (future-years report). As required, GAO reviewed the two DOD reports submitted in early 2003 and is, with this report, submitting its views to the Congress on whether (1) the military services met the so-called "50-50 requirement" for fiscal years 2001-2 and (2) the projections for fiscal years 2003-7 are reasonable estimates. GAO also identified opportunities to improve the reporting process.

What GAO Recommends

GAO suggests that the Congress consider amending 10 U.S.C. 2466 to require only one annual 50-50 report to cover the prior, current, and budget years for which data are generally more reliable and potential impacts more immediate. GAO also recommends that DOD improve 50-50 data collection and validation by, among other actions, using service audit agencies for timely review and validation of 50-50 data. DOD concurs with the report recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-1023.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-5581 or holmanb@gao.gov.

DEPOT MAINTENANCE

DOD's 50-50 Reporting Should Be Streamlined

What GAO Found

Continuing weaknesses in DOD's data gathering, reporting processes, and financial systems prevented GAO from determining with precision if the military services complied with the 50-50 requirement in fiscal years 2001-2. DOD data show all the services, except the Air Force in fiscal year 2001, to be below the 50-percent funding limit on private sector work. However, as before, GAO found errors in the data that, if corrected, would overall increase funding of the private sector and move each service closer to the contract limit. For example, for fiscal year 2002, the Navy did not include about \$401 million in private sector maintenance work on aircraft carriers and surface ships. Correcting for these and other errors would increase the Navy's percentage of private sector depot maintenance funds for that year from the 42.6 percent reported to 46.9 percent. Such data weaknesses show that prior-years reports do not precisely measure the division of maintenance funding. At best, over time these results provide rough approximations and indicate trends that may be useful to decision makers.

Because of data deficiencies and changing budget projections, the future-years report does not provide reasonable estimates of public and private sector maintenance funding for fiscal years 2003-7 and limits its usefulness to decision makers. GAO reported this shortcoming in the past, and problems continue. For example, the Army underreported maintenance work at nondepot locations as it continues to consolidate the work and better control it at such locations. Other Army work was not reported because some commands did not receive guidance and others misapplied it. These errors would add about \$200 million annually to the Army's future estimate and increase the percent of projected funding in the private sector.

Opportunities still exist for improvements, including for streamlining the 50-50 reports, continued service audit agency support, and data development. Streamlining the 50-50 reports could help address problems caused by, among other factors, inexact program estimates. Second, although DOD is concerned that recent revisions to federal audit standards could keep service auditors from further participation in the 50-50 process, GAO believes that a way can be developed to enable auditors' continued support yet ensure their independence. Third, data development could be helped by better disseminating guidance and training participating personnel.

DOD's Reported Fiscal Year 2002 50-50 Data and GAO's Adjustments

Numbers in percent

Service	Public work reported	Public work adjusted	Private work reported	Private work adjusted
Army	51.5	49.2	46.5	49.0
Navy/Marine Corps	54.5	50.3	42.6	46.9
Air Force	54.1	51.4	45.8	48.5

Source: GAO analysis of DOD data.

Note: Totals reported and adjusted will not equal 100 percent due to rounding and legislatively excluded public-private partnerships.