

Why GAO Did This Study

In today's fiscally constrained environment, the Navy must balance short- and long-term costs and risks. In February 2012, although it had concerns that its battle force was below the number of ships needed, the Navy announced plans to decommission nine ships.

Congress mandated that GAO review the Navy's methodology and analysis that supported its decommissioning decision. This report evaluates (1) the extent to which the Navy followed its policy when deciding to decommission nine ships before the end of their service lives, and (2) the extent to which the Navy's policy incorporates federal standards for internal control. To evaluate these issues, GAO obtained evidence and interviewed officials about the process the Navy used to develop its decommissioning decision. GAO also analyzed the Navy's decommissioning policy, and compared its requirements to federal standards for internal control.

What GAO Recommends

GAO recommends that the Navy follow its policy to document its early decommissioning decisions and also update its policy to incorporate key federal standards for internal control—including engaging external stakeholders and evaluating performance measures, such as risks. DOD partially agreed with both recommendations. DOD agreed that it should follow its policy but questioned the importance of updating the policy to incorporate certain internal control elements. GAO believes that these recommendations remain valid as discussed in the report.

View [GAO-14-412](#). For more information, contact John Pendleton at (404) 679-1816 or pendletonj@gao.gov.

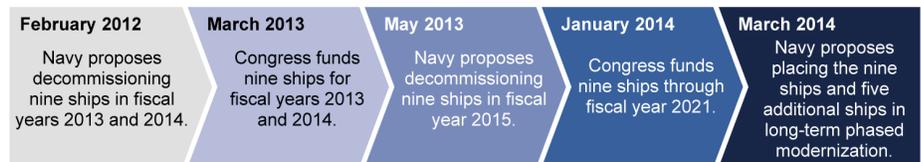
SURFACE SHIPS

Navy Needs to Revise Its Decommissioning Policy to Improve Future Decision Making

What GAO Found

The Navy did not follow its policy when deciding in 2012 to decommission seven cruisers and two dock-landing ships well prior to the end of their expected service lives. When ships are decommissioned early, the Navy's policy requires a decision memorandum to address why it is in the best interest of the Navy to decommission the ships and mitigation strategies for any resulting capability gaps. GAO found that the Navy did not prepare the required decision memorandum. According to Navy officials, they did discuss budget and cost issues, including maintenance and modernization costs, but they did not prepare the decision memorandum because they were under time pressure to identify budget savings. Congress did not support the Navy's decision and provided funds to maintain, operate, and sustain the nine ships in the fleet, and the Navy has since reversed its decision to decommission the ships. However, it now plans to take these ships and five others out of their normal deployment cycles, modernize them, and then place them back into service at a later time. The figure below shows the Navy's recent proposals and subsequent congressional actions.

Key Navy and Congressional Actions for Seven Cruisers and Two Dock-Landing Ships



Source: Navy information and U.S. law. | GAO-14-412

The Navy's decommissioning policy does not incorporate key federal standards for internal control such as engaging external stakeholders, comparing actual performance to planned or expected results, and evaluating performance measures to achieve goals. While the policy requires communication within the Department of the Navy, it does not require the Navy to engage with external stakeholders (e.g., Congress). In addition, the policy does not require the Navy to compare differences between actual and expected performance and then use the results to adjust future decisions or plans. Further, the Navy's decommissioning policy does not require officials to specifically evaluate performance measures, such as risks, readiness, or maintenance costs, when making an early decommissioning decision. Moreover, the Navy's policy requires that officials address some elements of risk in their decision memorandum but does not specifically require that they evaluate risks associated with shortfalls in the number of ships. In this case, the Navy recommended decommissioning large surface combatants and amphibious ships when it was simultaneously reporting shortfalls in those same ship types to support its shipbuilding plans. Specific policy direction requiring engagement with external stakeholders and evaluation of key performance measures can help ensure that the Navy successfully articulates and justifies any future decisions to decommission ships prior to reaching their expected service lives.