



Highlights of [GAO-06-88](#), a report to congressional committees

## Why GAO Did This Study

Under 10 U.S.C. § 2466, the military departments and defense agencies can 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 division of depot maintenance funding between the public and private sectors during the preceding fiscal year and projected distribution for the current and ensuing fiscal years. As required, GAO reviewed the report submitted in April 2005 and is, with this report, submitting its views to Congress on whether (1) the military departments complied with the “50-50 requirement” for fiscal year 2004 and (2) the projections for fiscal years 2005 and 2006 represent reasonable estimates. Additionally, GAO is assessing whether the data currently provided in DOD’s annual 50-50 report are useful to Congress in exercising its oversight role.

## What GAO Recommends

GAO recommends that DOD improve the accuracy, reliability and usefulness of depot maintenance workload allocation data submitted to Congress. DOD partially concurred with the recommendations but did not indicate specific actions it would take. GAO suggests the Congress require DOD to enhance its annual 50-50 report as stated in GAO’s recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-88](http://www.gao.gov/cgi-bin/getrpt?GAO-06-88).

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

# DEPOT MAINTENANCE

## Persistent Deficiencies Limit Accuracy and Usefulness of DOD's Funding Allocation Data Reported to Congress

### What GAO Found

As in previous years, systemic weaknesses in DOD’s financial systems and persistent deficiencies in 50-50 data reporting processes continue to prevent GAO from determining whether the military departments complied with the 50-50 requirement for public- and private-sector depot maintenance funding allocations for fiscal year 2004. Persistent deficiencies, such as inadequate management attention and review to ensure accurate and complete reporting, limited independent review and validation of data by audit services or other third parties, and inadequate training for those responsible for data gathering and reporting, continue to limit the quality of the 50-50 data submitted to Congress. GAO’s previous reports over the last 7 years identified similar problems and recommended corrective actions, but DOD and the military services have failed to consistently implement corrective actions sufficient to resolve the deficiencies and alleviate data accuracy problems. The recurring nature of these problems indicates a management control weakness as defined under the Federal Managers’ Financial Integrity Act.

Reported projections do not represent reasonable estimates of public- and private-sector depot maintenance funding allocations for fiscal years 2005 through 2006 because some data errors and omissions in DOD’s prior-year report are carried into the projected years. It is difficult to project out-year data due to factors such as changing depot maintenance requirements, the ongoing consolidation of maintenance facilities, and the trend toward more contractor logistics support for new and existing weapon systems.

Although DOD’s current 50-50 report to Congress satisfies the annual mandate, it lacks additional detail that might be useful to Congress as it exercises its oversight role. The report currently submitted by DOD contains data that are aggregated at a high level and provides no analysis of changes from the prior years or long-term trends. The report also does not identify actual funding and workload distribution variances from year to year, nor explain the reasons behind them. Furthermore, it does not contain information as to the methodologies used to prepare the current and future year projections.

**DOD’s Reported Fiscal Year 2004 50-50 Data and GAO’s Adjustments in Percentages**

| Service           | Private work reported | Private work adjusted | Public work reported | Public work adjusted |
|-------------------|-----------------------|-----------------------|----------------------|----------------------|
| Army              | 45.0                  | 49.2                  | 55.0                 | 50.8                 |
| Navy/Marine Corps | 46.2                  | 48.5                  | 50.2                 | 47.7                 |
| Air Force         | 45.3                  | 45.3                  | 54.6                 | 54.6                 |

Sources: DOD (data); GAO (analysis).

Notes: Totals will not equal 100 percent because of rounding and legislatively excluded public-private partnerships. Shaded cells indicate percentages within 2 percentage points of the 50 percent limitation.