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Highlights

Highlights of GAO-12-539, a report to the Chairman, Subcommittee on Readiness and Management Support, Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The Marine Corps DMAG repairs and overhauls weapon systems and support equipment to battle-ready condition for deployed and soon-to-be deployed units. To the extent that DMAG does not complete work at year-end, the work and related funding will be carried over into the next fiscal year. Carryover is the reported dollar value of work that has been ordered and funded by customers but not completed by DMAG at the end of the fiscal year. GAO was asked to determine (1) if DMAG's actual carryover exceeded the allowable amount and actions the Marine Corps is taking to reduce carryover; (2) if budget information on DMAG carryover approximated actual results; (3) if there was growth in carryover during the period of OIF/OEF and the reasons for any such growth; and (4) reasons for recent years' carryover. To address these objectives, GAO (1) reviewed relevant carryover guidance, (2) obtained and analyzed reported carryover and related data for DMAG against requirements, and (3) interviewed DOD, Navy, and Marine Corps officials.

What GAO Recommends

GAO recommends that DOD improve the budgeting and management of DMAG carryover by comparing budgeted to actual information on carryover and orders and making adjustments to budget estimates as appropriate. DOD concurred with GAO's recommendations and cited related actions planned.

View GAO-12-539. For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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MARINE CORPS DEPOT MAINTENANCE

Budgeting and Management of Carryover Could Be Improved

What GAO Found

GAO's analysis of Marine Corps depot maintenance activity group (DMAG) reports showed that from fiscal years 2004 through 2011, reported actual carryover exceeded the allowable amounts in the most recent 6 years of the 8- year period, ranging from $59 million in fiscal year 2007 to $7 million in fiscal year 2011. GAO's analysis also showed that the amounts of carryover exceeding the allowable amounts have declined in each of the past 4 years. These reductions could be attributed to DMAG actions, including implementing production efficiencies that reduced the time required to repair weapon systems.

In contrast, DMAG's budgeted carryover amounts were less than the allowable amounts for all 8 years GAO reviewed. In the most recent 6 years, DMAG's reported actual carryover amounts exceeded budgeted carryover by at least $50 million. GAO's analysis showed this occurred because the Marine Corps underestimated DMAG's new orders every year during this 6-year period from a low of 51 percent to a high of 175 percent.

Table: Comparison of Budgeted and Reported Actual DMAG Carryover That Was Over or Under the Allowable Amounts (Fiscal Years 2004–2011)

Dollars in millions

Fiscal year	Budgeted over (under) allowable	Actual over (under) allowable	Difference
2004	($32)	($6)	$26
2005	(30)	(26)	4
2006	(32)	21	53
2007	(19)	59	78
2008	(43)	39	82
2009	(58)	38	95
2010	(74)	19	93
2011	(68)	7	75

Source: GAO analysis of Marine Corps DMAG budgets.

Note: Dollar amounts do not always add due to rounding.

The reported dollar value of DMAG carryover significantly increased during the initial years of Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) from $49 million in fiscal year 2002 to $271 million in fiscal year 2005. This increase could be primarily attributed to new orders from customers more than tripling over this period. GAO's analysis found that the increase in new orders was the result of higher depot maintenance requirements supporting OIF/OEF. Since fiscal year 2005, reported actual carryover amounts have remained relatively stable, averaging $296 million or 6.4 months of work.

GAO identified three factors that were key to DMAG's carryover in fiscal years 2010 and 2011 including: (1) experiencing unanticipated increases in its workload requirements, (2) starting DMAG work on new orders later in the fiscal year because it was already performing work on other orders, and (3) accepting amendments on existing orders in the last quarter of the fiscal year that increased the scope of work.