

GAO Highlights

Highlights of [GAO-15-462](#), a report to congressional requesters

Why GAO Did This Study

Three Navy FRCs support combat readiness by providing repair services to keep Navy units operating worldwide. To the extent that the FRCs do not complete work ordered and funded by year-end, the work and related funding will be carried over into the next fiscal year. The Department of Defense (DOD) established a formula based on new orders received from customers for determining the allowable carryover amount at year-end as defined by the DOD Financial Management Regulation. As requested, GAO reviewed issues related to FRC carryover.

GAO's objectives were to determine (1) the extent to which the FRCs' actual carryover differed from the allowable amounts and the reasons for any differences, (2) the extent to which the FRCs' reported budget information on carryover differed from reported actual information and the reasons for any differences, and (3) the key drivers for orders with large carryover balances for fiscal years 2013 and 2014 and the actions the FRCs are taking or planning to take to reduce carryover. GAO reviewed carryover guidance, analyzed carryover and related data for the FRCs for fiscal years 2004 to 2014, and interviewed Navy officials.

What GAO Recommends

GAO recommends that DOD improve the budgeting for carryover by reporting the purpose and amount of waivers in FRC budgets and augmenting Navy guidance to include trend data on actual orders in developing budget estimates. DOD concurred with GAO's recommendations and cited related actions planned or under way.

View [GAO-15-462](#). For more information, contact Asif A. Khan at (202) 512-9869 or khana@gao.gov.

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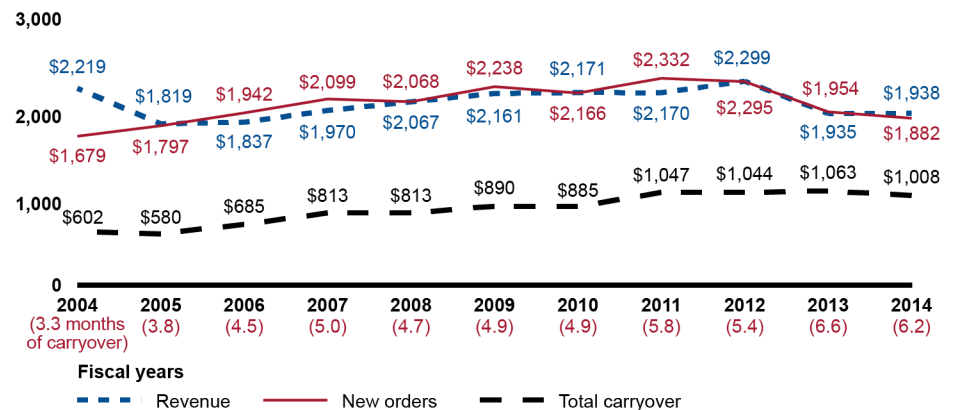
NAVY WORKING CAPITAL FUND

Budgeting for Carryover at Fleet Readiness Centers Could Be Improved

What GAO Found

GAO's analysis of Navy Working Capital Fund Fleet Readiness Centers' (FRC) budgets found that actual adjusted carryover exceeded allowable carryover in 10 of 11 fiscal years reviewed because orders exceeded work performed (revenue) by more than expected. As a result, total carryover grew to about \$1 billion at the end of fiscal year 2014. In fiscal year 2014, the FRCs' actual adjusted carryover amount was under the allowable amount because the FRCs received a new waiver that reduced the adjusted carryover below the allowable amount. The FRCs did not present the purpose and amount of the waiver in their budget to Congress. Having complete information in the budget is needed to help policymakers make informed decisions.

Fleet Readiness Centers' New Orders, Revenue, Total Carryover, and Months of Carryover
Dollars in millions



Source: GAO analysis of Fleet Readiness Centers' data. | GAO-15-462

The FRCs budgeted the carryover amount to be under the allowable amount in 10 out of the 11 fiscal years GAO reviewed. In fiscal year 2004, the budgeted amount was greater than the allowable amount by \$40 million. In 10 of the 11 years, the actual carryover information was greater than the budgeted carryover information by a low of \$30 million in fiscal year 2010 to a high of \$285 million in fiscal year 2007. According to Navy officials, these differences can be attributed to uncertainty in overseas contingency operations orders or changing customer requirements after budget preparations. Although the Navy has efforts ongoing to address these two issues in the future, GAO found that the Navy's guidance does not require trend analysis. Such analysis could help ensure more accurate estimates.

GAO identified four key drivers for large FRC carryover balances in fiscal years 2013 and 2014: (1) orders for work scheduled to begin in the fourth quarter carried over into the next fiscal year; (2) work on F/A-18 Hornet aircraft required structural repair and the FRCs had limited engineers and artisans, support equipment, and facilities to perform the work; (3) work on crash-damaged aircraft was difficult to predict and required nonstandard repairs that necessitated long lead time for parts to perform the work; and (4) the unavailability of parts to perform work. The Navy is taking several actions, such as hiring engineers and artisans to perform F/A-18 Hornet work.