

GAO Highlights

Highlights of [GAO-17-80](#), a report to congressional committees

Why GAO Did This Study

DOD operates 238 commissaries worldwide to provide groceries and household goods at reduced prices as a benefit to military personnel, retirees, and their dependents. Since 2010, Congress appropriated an average \$1.4 billion annually to help fund commissary operations.

Senate Report 114-49 included a provision for GAO to review aspects of commissary operations. This report (1) determines the extent to which DOD has assurance it is maintaining its desired savings rate for patrons and (2) identifies differences in business practices between commissary operations and commercial grocery store practices. GAO analyzed data on savings, sales, and costs. GAO also reviewed leading practices relevant for commissary operations; assessed the costs for service contracts and product distribution options; and conducted site visits to a nongeneralizable sample of 12 commissaries based on, among other things, location and sales.

What GAO Recommends

GAO is making three recommendations, including that DOD address limitations identified in its savings rate methodology; develop a plan with objectives, goals, and time frames to improve efficiency in product management; and conduct comprehensive cost-benefit analyses for service contracts and distribution options. DOD concurred with GAO's first two recommendations and partially concurred with the third recommendation. GAO continues to believe the cost-benefit analysis recommendation is valid.

View [GAO-17-80](#). For more information, contact Brian J. Lepore at (202) 512-4523 or leporeb@gao.gov.

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DEFENSE COMMISSARIES

DOD Needs to Improve Business Processes to Ensure Patron Benefits and Achieve Operational Efficiencies

What GAO Found

The Department of Defense (DOD) lacks reasonable assurance that it is maintaining its desired savings rate for commissary patrons. The Defense Commissary Agency (DeCA), which manages the commissaries, has a methodology for calculating the annual savings rate that patrons realize by shopping at commissaries rather than commercial grocery stores. In fiscal year 2015, the most recent data available at the time of our review, DeCA's Board of Directors approved a desired average savings rate of 30 percent based on savings calculated for prior years using the methodology. However, GAO found weaknesses in this methodology. For example, the methodology does not use a random sample of overseas commissaries or account for seasonal and geographic variations in item prices. Because of these weaknesses, DOD's methodology can potentially result in an inaccurate calculation of the actual savings rate that commissary patrons experience. DeCA officials stated that the agency plans to revise the savings methodology to address the limitations GAO identified. Because this effort is underway, it is too early to know whether the revisions will address the limitations GAO identified.

Differences exist between certain business processes used at the commissaries and those of commercial grocery stores.

First, DeCA tracks the sale of products at all commissaries but does not assess the contribution of the sale of each product to a given store's total sales in determining which products to sell. According to DeCA officials, because commissaries are focused on providing a benefit rather than on maximizing profits like commercial grocery stores, commissaries do not always adjust products they carry based on customer demand. DeCA officials said that they would like to be more efficient, but have not developed a plan with achievable objectives, goals, and time frames regarding how to improve product management based on sales and customer demand. Without improving the management of products based on sales and customer demand as is done in commercial grocery stores, DeCA may be missing opportunities to increase sales, leverage efficiencies, and achieve savings in commissary operations. Second, DeCA has not conducted cost-benefit analyses for costs associated with (1) the use of stocking and custodial service contracts as compared with the use of in-house staff and (2) product distribution options across all commissaries. For example, DeCA uses services contracts at most commissaries, totaling about \$137 million in fiscal year 2015, even though our analysis suggests that using in-house personnel for stocking may be more cost effective. Commercial grocery stores are generally sensitive to the cost of business operations, competition in their market, and the need to generate a profit. In addition, different product distribution options could result in significant savings impacting the price a commissary patron pays for a product. According to DeCA officials, DOD does not require cost-benefit analyses to compare alternative options for service contracts or for the distribution of products to commissaries. However, without conducting such analyses to guide its decision making on these business processes, DeCA is not positioned to determine whether it is using its resources most efficiently.