

## Why GAO Did This Study

DOD allows carryover from one fiscal year to the next to ensure the smooth flow of maintenance work performed at depots. DOD has reported that approximately 6 months of carryover is optimal. Excess carryover (i.e., more unfinished work than allowed) may reflect an inefficient use of resources and tie up funds that could be used for other priorities. Congress directed DOD to report on its current DOD carryover metric and consider alternatives. DOD's report discussed three carryover metrics: the current DOD carryover metric, an Office of the Secretary of Defense-proposed carryover metric, and an Army-proposed carryover metric.

Congress asked GAO to review DOD's historical carryover and the metrics presented by DOD. This report, among other things, (1) describes the total carryover for fiscal years 2007 through 2018, and the reasons for it; (2) evaluates the carryover metrics DOD presented in its report to Congress and whether they would provide quality information; and (3) describes private industry and foreign military policies for determining allowable carryover, if any. GAO reviewed DOD budget submissions to identify depot carryover and prior GAO reports to identify reasons for carryover; evaluated carryover metrics against criteria for quality information; and discussed carryover with DOD, private industry, and foreign military officials.

## What GAO Recommends

GAO is recommending that DOD develop and adopt a carryover metric for depot maintenance that provides reliable, complete, consistent, and appropriate information. DOD concurred with the recommendation.

View [GAO-19-452](#). For more information, contact Diana C. Maurer at (202) 512-9627 or [maurerd@gao.gov](mailto:maurerd@gao.gov) or Asif A. Khan at (202) 512-9869 or [khana@gao.gov](mailto:khana@gao.gov)

# DEPOT MAINTENANCE

## DOD Should Adopt a Metric That Provides Quality Information on Funded Unfinished Work

### What GAO Found

Each year, billions of dollars of work is ordered from maintenance depots that cannot be completed by the end of the fiscal year. The Department of Defense (DOD) refers to this funded but unfinished work as carryover. For fiscal years 2007 through 2018, the Navy, Marine Corps, and Air Force depots averaged less than 6 months of annual carryover worth \$1.0 billion, \$0.2 billion, and \$1.9 billion, respectively. The Army depots averaged 10 months of annual carryover worth \$4.3 billion. Reasons for unplanned carryover include issues with parts management, scope of work, and changing customer requirements.

DOD identified three metrics for calculating allowable carryover in its report to Congress. However, the three metrics identified do not fully meet all key attributes—reliability, completeness, consistency, and appropriateness—for providing quality information to decision makers, although the Office of the Secretary of Defense-proposed carryover metric meets the most attributes.

### Assessment of Carryover Metrics Identified by the Department of Defense

Carryover metrics	Does the carryover metric contribute to quality information that is...			
	reliable?	complete?	consistent?	appropriate?
Current				
Office of the Secretary of Defense-proposed				
Army-proposed				

Addresses Partially addresses Did not address

Source: GAO analysis of Department of Defense data. | GAO-19-452

Note: Carryover is funded work that has not been completed at the end of the fiscal year.

The three metrics are based on different calculations and would have different implications for depot maintenance management. Specifically,

- The current carryover metric allows for exemptions worth tens of millions of dollars that reduce incentives to improve the effectiveness of depot management.
- The Office of the Secretary of Defense-proposed metric could provide incentives to improve workload planning and the effectiveness of depot management, but uses a ratio instead of dollars to measure carryover.
- The Army-proposed carryover metric is based on labor used to complete depot work, does not include depot maintenance costs such as parts, and carryover amounts are unlikely to exceed the ceiling. This metric is not likely to provide an incentive to improve depot management.

Unless DOD develops and adopts a carryover metric for depots that meets the key attributes of quality information, decisionmakers may not be able to help ensure funds are directed to the highest priority and depots are managed as effectively as possible.

Officials of private industry companies and foreign militaries GAO met with stated they do not have a policy to limit carryover. According to private sector officials, there is no incentive to limit workload if customers' needs can be met within the terms of the contract and the work is likely to be profitable. The North Atlantic Treaty Organization and seven foreign militaries GAO interviewed generally use contractors, not depots, to meet most of their depot maintenance requirements and they do not have a carryover policy similar to DOD's.