

# GAO Highlights

Highlights of [GAO-20-370](#), a report to congressional committees

## Why GAO Did This Study

The Navy relies on its fleet of over 150 surface ships to be ready to operate when needed for the defense of the United States. The Navy spends billions annually in maintaining this fleet. In 2015, the Navy changed how it contracts for such maintenance work, aiming to better control costs and improve quality. The new approach, called MAC-MO, generally uses firm-fixed-price contract delivery orders for individual ship availabilities competed among pre-qualified contractors at Navy regional maintenance centers.

House Report 115-676 included a provision for GAO to review the Navy's implementation of the MAC-MO strategy. This report (1) examines outcomes under the strategy; (2) evaluates actions the Navy has taken related to recent lessons learned; and (3) describes contractors' considerations when planning for hiring and facilities. GAO analyzed data on ship repair under MAC-MO; reviewed six case studies involving different availability types, classes of ships, maintenance centers, and contractors; and interviewed Navy officials and contractors.

## What GAO Recommends

GAO recommends that the Navy establish an analysis plan for the evaluation of the pilot program. The Navy concurred with GAO's recommendation.

View [GAO-20-370](#). For more information, contact Shelby S. Oakley at (202) 512-4841 or [oakleys@gao.gov](mailto:oakleys@gao.gov).

May 2020

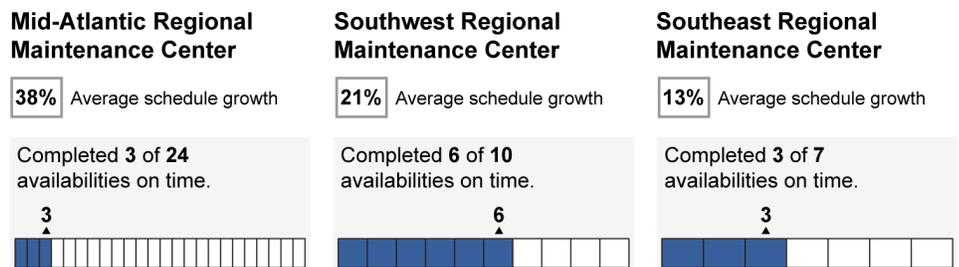
# NAVY SHIP MAINTENANCE

## Evaluating Pilot Program Outcomes Could Inform Decisions to Address Persistent Schedule Challenges

### What GAO Found

Since shifting to the Multiple Award Contract-Multi Order (MAC-MO) contracting approach for ship maintenance work in 2015, the Navy has increased competition opportunities, gained flexibility to ensure quality of work, and limited cost growth, but schedule delays persist. During this period, 21 of 41 ship maintenance periods, called availabilities, for major repair work cost less than initially estimated, and average cost growth across the 41 availabilities was 5 percent. Schedule outcomes were less positive and Navy regional maintenance centers varied in their performance (see figure).

#### Schedule Performance across Navy Regional Maintenance Centers



Source: GAO analysis of Navy data. | GAO-20-370

To mitigate these delays, the Navy has identified and taken actions to implement lessons learned, including negotiating and funding undefined but expected increases in work at the time of contract award. However, these actions have not resolved the delays that result from the approval process the Navy often must use to obtain funds to complete this maintenance work. Namely, if an availability extends into a new fiscal year and needs more than \$4 million in additional prior-year funding, both Navy and Defense Department approvals are required. GAO found this approval process took between 26 and 189 days based on Defense Department data. In December 2019, Congress established a pilot program that would potentially allow the Navy to avoid this process. Leading practices GAO identified for pilot programs call for development of an analysis plan to track implementation and performance and for evaluating final results. As the Navy moves into implementation of its pilot program, developing an analysis plan would provide it with a means to identify opportunities to evaluate schedule outcomes of pilot program availabilities, as compared to non-pilot program availabilities, and document a process for evaluating lessons learned from the pilot program. Such evaluations would provide information to determine if the pilot approach should expand to help address persistent schedule challenges.

Ship repair contractors now operating in the MAC-MO environment told GAO that two key considerations drive their decisions on workforce and facilities investments: visibility regarding planned workloads within a given port and their assessment of the share of that work they are most likely to win. In recognition of these considerations, Navy officials have begun taking steps to increase predictability of workloads at each port. These officials anticipate that these steps, coupled with increasing workloads at the ports, will help increase contractors' confidence in their ability to forecast their share of future work.