ARMY WORKING CAPITAL FUND

Actions Needed to Reduce Carryover at Army Depots

What GAO Found

From fiscal years 2004 through 2007, the Army depots’ total carryover significantly increased from $1.1 billion to $2.7 billion—about 7.6 months of work. The amount of carryover increased because new orders received (about $9.5 billion) by the depots significantly outpaced the work performed (about $7.8 billion) in fiscal years 2006 and 2007. GAO analysis of the Army’s plan to reduce carryover showed that the depots performed $293 million more work in the first 3 months of fiscal year 2008 than they performed during the same period a year earlier, but the depots missed their planned goal by $173 million.

The Army depots reported that they were under the carryover ceiling by $67 million in fiscal year 2006 but over the ceiling by $96.8 million in fiscal year 2007. GAO identified two factors that affected reported carryover amounts. First, the Army Materiel Command directed the Tobyhanna Army Depot to deobligate $30 million at the end of fiscal year 2006 and reobligate the same amount at the beginning of the next fiscal year, which artificially lowered reported carryover and was not in accordance with existing DOD policy. Second, the Army excluded about $299.7 million in fiscal year 2007 orders from the carryover calculations. The exemptions for fourth quarter orders from other services and long lead time material did not provide the right incentives for DOD to resolve long-standing problems.

GAO analysis of reports and discussions with Army officials identified four primary reasons for growth in carryover: (1) the Army depot maintenance budget underestimated the amount of new orders during fiscal years 2006 and 2007 by about $1.7 billion and $1.5 billion, respectively; (2) the depots accepted orders late in the fiscal year that generally could not be completed by the end of the fiscal year; (3) the depots experienced parts shortages; and (4) the depots did not receive assets that had been scheduled for repair.

What GAO Recommends

GAO makes eight recommendations to the Department of Defense (DOD) that are aimed at (1) improving the reliability of carryover information and (2) reducing carryover associated with Army depot maintenance activities. DOD concurred with six recommendations and partially concurred with two. DOD commented that it is taking actions on all eight recommendations.