

Report to Congress  
on  
Distribution of Department of Defense  
Depot Maintenance Workloads for  
Fiscal Years 2015 through 2017



**Office of the Under Secretary of Defense  
for Acquisition, Technology, and Logistics**

**MAY 2016**

The estimated cost of this report or study for the Department of Defense  
is approximately \$ 698,000.

This includes \$ 50,000 in expenses and \$ 647,000 in DoD labor.

Cost estimate generated on April 19, 2016 RefID: 0-0D6E9C8

## INTRODUCTION

Section 2466(d)(1) of title 10, U.S.C., requires the Secretary of Defense to submit, not later than 90 days after the date on which the budget of the President for a fiscal year is submitted to Congress, a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of funds referred to in section 2466(a) of title 10, U.S.C., that was expended during the preceding fiscal year and are projected to be expended during the current fiscal year and the ensuing fiscal year for performance of depot-level maintenance and repair workloads by the public and private sectors. For reference, sections of title 10, U.S.C., are included on the last page of this report.

The following conventions were used in the preparation of this report:

- Limited to military materiel and software that is integral to the operation of military materiel.
- Applies to all depot maintenance support requirements, regardless of the source or sponsor of the program.
- Applies to all funding sources and all customers budgeted or managed by the Military Department or Defense Agency.
- Funds made available are for depot maintenance and repair obligations for FY 2015 and projected obligations for FYs 2016 and 2017.
- Applies to all locations performing depot-level maintenance and repair (i.e., all maintenance and repair tasks designated or coded as depot-level that are performed in field or other non-depot locations).
- Includes all factors of production.
- Includes the installation costs of all modifications when the installation is considered a depot-level service.
- Reporting is made from the Principal's perspective (i.e., the component that manages the funding for or owns the equipment that is being repaired or maintained).
- Includes interim contractor support and contractor logistics support (or any similar contractor support) to the extent that such support is for performance of depot-level maintenance and repair.
- Acquisition of modifications and upgrades is excluded; however, installation of excluded modifications and upgrades is included when the installation is considered a depot-level service.

Section 2474(f) of title 10, U.S.C., excludes certain expenditures from the percentage limitations in section 2466(a). The exclusion applies to the performance of depot-level maintenance and repair workload by non-Federal Government personnel at a Center of Industrial and Technical Excellence (CITE) pursuant to a public-private partnership. Section 2466(d)(2) requires that the report required under section 2466(d)(1) include as a separate item any expenditure covered by section 2474(f) that was made during the fiscal year covered by the

report and shall specify the amount and nature of each expenditure. The following applies to determination of the exclusion:

- The depot maintenance activity on which the workload is performed must have been designated a CITE.
- The workload must be pursuant to a public-private partnership for depot maintenance.
- The workload must be performed by personnel provided by private industry or other entities outside the Department of Defense at a CITE.

## **REPORT**

The information on distribution of depot-level maintenance and repair workloads by the public and private sectors for the Military Departments and Defense Agencies is provided in the attached table. The first portrayal, “Military Department/Defense Agency,” is the portrayal applicable to compliance with the section 2466(a), a 50 percent limitation on the funds made available to a Military Department or Defense Agency that can be used to contract for performance by non-Federal Government personnel.

The second portrayal, “Department of the Navy - Armed Forces Component Data,” is applicable to the section 2466(d)(1) requirement for reporting for each of the Armed Forces (other than the Coast Guard) in that it provides the required breakout for the Department of the Navy (to include the Marine Corps). The third portrayal, “Other Defense Organizations,” provides information for organizations not meeting the sections 101(a)(4), (8), and (11) of title 10, U.S.C., definitions of Armed Forces, Military Department, or Defense Agency and, therefore, not subject to the 50 percent limitation.

Non-Federal work that is not excluded by section 2474(f) from the 50 percent limitation on the funds made available to a Military Department or Defense Agency that can be used to contract for performance by non-Federal Government personnel is identified on the table as “Non-Federal Work Non-excluded.” Non-Federal work that is excluded by section 2474(f) from the 50 percent limitation is identified on the included table as “Non-Federal Work Excluded.” Although not counted for purposes of applying the percentage limitation, CITE public-private partnership expenditures are included in total expenditures for non-Federal depot maintenance work. Since U.S. Special Operations Command (USSOCOM) is neither a Military Department nor a Defense Agency, the section 2474(f) exclusion does not apply.

All three Military Departments report compliance with the 50 percent limitation for funds used to contract for the performance of depot-level maintenance by non-Federal Government personnel in FY 2015 and are projecting compliance for FY 2016 and FY 2017. The Missile Defense Agency (MDA) continues to work toward meeting the 50/50 goal for depot maintenance expenditures supporting the Ballistic Missile Defense System. OUSD(AT&L) is directly engaged with MDA on its plan and timeline to achieve compliance.

## **INTERNAL AUDIT REQUIREMENT**

In response to concerns expressed in congressional reports that accompanied the National Defense Authorization Act for Fiscal Year 2015, this section includes a description of the efforts made by each of the Military Departments and Defense Agencies to comply with the requirement for internal audit agencies to validate the data submitted for the annual report to Congress required by title 10, U.S.C., section 2466.

**Army:** The Army Audit Agency (AAA) reviewed the methods used by the Office of the Deputy Chief of Staff (ODCS), G-4, and Headquarters, Army Materiel Command, for capturing, consolidating, and reporting depot workload data, validated the accuracy of the data, and evaluated compliance with reporting guidance. The AAA focused primarily on the Army Aviation and Missile Command, reviewing and verifying depot maintenance transactions valued at over \$1.5 billion. The final AAA report will be published in September 2016.

**Navy:** The Naval Audit Service (NAS) reviewed and validated the data reported for several organizations from across the Department of the Navy (DoN) representing the majority of total depot maintenance expenditures. The review focused on the accuracy and reliability of reported data and required supporting documentation as well as compliance with DoD and DoN reporting requirements. Errors identified during the audit are corrected and documented in the final NAS report and used to improve reporting procedures in the future.

**Air Force:** The Air Force Audit Agency (AFAA) conducted an audit of the organizations reporting most of the Air Force depot maintenance expenditures. The AFAA identified some errors in manually reported cost data; however, the net percentage that these errors represented was negligible and did not alter the Air Force's compliance status. All errors were corrected before the data was submitted. Based on preliminary results, the AFAA recommends that reporting guidance be strengthened in a few areas to ensure program managers assign costs consistently and appropriately. In addition, the AFAA recommends that guidance and procedures for tracking and reporting depot maintenance expenditures for joint weapon system programs, such as the F-35, be improved.

**MDA:** MDA's Internal Review (IR) office conducted the internal audit of the data submitted by the programs reporting depot maintenance expenditures. Understanding of reporting requirements continues to improve, and improvements have been noted in the accuracy of the data. Based upon the findings and recommendations documented in the IR audit report, MDA is in the process of updating its corrective action plan to improve the accuracy of future reports.

**Distribution of DoD Depot Maintenance Workloads  
For Fiscal Years 2015 Through 2017**

Military Departments	Workload Distribution/Reporting Category	(\$Millions)		
		2015	2016	2017
<b>Army</b>	Total Funds	4,714.4	4,458.6	4,593.6
	Federal Work	2,860.1	2,849.8	2,919.5
	Non-Federal Work Total	1,854.3	1,608.8	1,674.1
	Non-Federal Work Non-excluded	1,790.7	1,606.7	1,674.1
	Non-Federal Work Excluded	63.6	2.1	0.0
	Public Portion	60.7%	63.9%	63.6%
	Private Portion Non-excluded	38.0%	36.0%	36.4%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>			<u>Amount Excluded in FY 2015</u>	
Stryker Reset			63.6	
<b>Navy</b>	Total Funds	14,045.3	13,764.5	14,527.5
	Federal Work	7,211.3	7,214.2	7,653.7
	Non-Federal Work Total	6,834.0	6,550.3	6,873.9
	Non-Federal Work Non-excluded	6,832.5	6,548.6	6,865.4
	Non-Federal Work Excluded	1.5	1.7	8.4
	Public Portion	51.3%	52.4%	52.7%
	Private Portion Non-excluded	48.7%	47.6%	47.3%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>			<u>Amount Excluded in FY 2015</u>	
Legacy Systems Depot Maintenance Support			1.5	
<b>Air Force</b>	Total Funds	12,270.0	12,755.1	13,423.2
	Federal Work	6,658.5	7,187.5	7,146.7
	Non-Federal Work Total	5,611.5	5,567.5	6,276.5
	Non-Federal Work Non-excluded	5,405.2	5,378.0	6,074.2
	Non-Federal Work Excluded	206.3	189.5	202.3
	Public Portion	54.3%	56.4%	53.2%
	Private Portion Non-excluded	44.1%	42.2%	45.3%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>			<u>Amount Excluded in FY 2015</u>	
OC-ALC: F119 Engine - Special technologies engine component repair			6.3	
WR-ALC: LANTIRN – Phase I – Component Repair			9.7	
OC-ALC: B-1 Software – Software Maintenance			114.0	
OC-ALC: B-2 Software – Software Maintenance			76.3	
<b>Total</b>			<b>206.3</b>	

**Distribution of DoD Depot Maintenance Workloads  
For Fiscal Years 2015 Through 2017 (continued)**

Department of the Navy - Armed Forces Component Data	Workload Distribution/ Reporting Category	(\$Millions)		
		2015	2016	2017
Navy	Total Funds	13,270.8	13,281.7	14,120.2
	Federal Work	6,620.8	6,825.3	7,318.9
	Non-Federal Work Total	6,650.0	6,456.4	6,801.4
	Non-Federal Work Non-excluded	6,648.5	6,454.7	6,792.9
	Non-Federal Work Excluded	1.5	1.7	8.4
	Public Portion	49.9%	51.4%	51.8%
	Private Portion Non-excluded	50.1%	48.6%	48.1%
USMC	Total Funds	774.5	482.8	407.3
	Federal Work	590.5	388.9	334.8
	Non-Federal Work Total	184.0	93.9	72.5
	Non-Federal Work Non-excluded	184.0	93.9	72.5
	Non-Federal Work Excluded	0.0	0.0	0.0
	Public Portion	76.2%	80.6%	82.2%
	Private Portion Non-excluded	23.8%	19.4%	17.8%

**Defense Agencies**

MDA	Total Funds	106.9	129.8	99.4
	Federal Work	9.2	9.0	29.3
	Non-Federal Work Total	97.7	120.8	70.1
	Non-Federal Work Non-excluded	97.7	120.8	70.1
	Non-Federal Work Excluded	0.0	0.0	0.0
	Public Portion	8.6%	6.9%	29.5%
	Private Portion Non-excluded	91.4%	93.1%	70.5%

<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>	<u>Amount Excluded in FY 2015</u>
None	0.0

**Other Defense  
Organizations**

United States Special Operations Command (USSOCOM)	Total Funds	.706	.817	.850
	Federal Work	.055	.094	.094
	Non-Federal Work Total	.651	.724	.756
	Public Portion	7.8%	11.5%	11.1%
	Private Portion Non-excluded	92.2%	88.5%	88.9%

Notes:

\$ Dollars are expressed in millions; totals reflected may not add due to rounding.

USMC = United States Marine Corps

USSOCOM does not meet the 10 U.S.C. 101(a)(4), (8) and (11) definitions for armed forces, Military Department, or Defense Agency and is not subject to the 50 percent limitation; however, USSOCOM data is included for consistency with past reports.

**Title 10, Section 2466<sup>1</sup>. LIMITATIONS ON THE PERFORMANCE OF DEPOT-LEVEL MAINTENANCE OF MATERIEL-**

(a) PERCENTAGE LIMITATION. - Not more than 50 percent of the funds made available in a fiscal year to a military department or a Defense Agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel of such workload for the military department or the Defense Agency. Any such funds that are not used for such a contract shall be used for the performance of depot-level maintenance and repair workload by employees of the Department of Defense.

(b) WAIVER OF LIMITATION. - The Secretary of Defense may waive the limitation in subsection (a) for a fiscal year if—

- (1) the Secretary determines that the waiver is necessary for reasons of national security; and
- (2) the Secretary submits to Congress a notification of the waiver together with the reasons for the waiver.

(c) PROHIBITION ON DELEGATION OF WAIVER AUTHORITY. - The authority to grant a waiver under subsection (b) may not be delegated.

(d) Annual Report<sup>2</sup>.—

(1) Not later than 90 days after the date on which the budget of the President for a fiscal year is submitted to Congress pursuant to section 1105 of title 31, the Secretary of Defense shall submit to Congress a report identifying, for each of the armed forces (other than the Coast Guard) and each Defense Agency, the percentage of the funds referred to in subsection (a) that was expended during the preceding fiscal year, and are projected to be expended during the current fiscal year and the ensuing fiscal year, for performance of depot-level maintenance and repair workloads by the public and private sectors.

(2) Each report required under paragraph (1) shall include as a separate item any expenditure covered by section 2474(f) of this title that was made during the fiscal year covered by the report and shall specify the amount and nature of each such expenditure.

**Title 10, Subsection 2474(f)<sup>3</sup>. EXCLUSION OF CERTAIN EXPENDITURES FROM PERCENTAGE LIMITATION** - Amounts expended for the performance of a depot-level maintenance and repair workload by non-Federal Government personnel at a Center of Industrial and Technical Excellence under any contract shall not be counted for purposes of applying the percentage limitation in section 2466(a) of this title if the personnel are provided by private industry or other entities outside the Department of Defense pursuant to a public-private partnership.

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<sup>1</sup> As amended by P.L. 108-375, section 321.

<sup>2</sup> As amended by P.L. 111-84, section 329.

<sup>3</sup> As amended by P.L. 109-364, section 331.