

Report to Congress
on
Distribution of Department of Defense
Depot Maintenance Workloads for
Fiscal Years 2018 through 2020



**Office of the Under Secretary of Defense
for Acquisition and Sustainment**

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The estimated cost of this report or study for the Department of Defense is approximately \$687,000 in Fiscal Years 2018 - 2019. This includes \$68,000 in expenses and \$619,000 in DoD labor.

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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 (FY) 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 FY and are projected to be expended during the current FY and the ensuing FY for performance of depot-level maintenance and repair workloads by the public and private sectors. For reference, pertinent sections of title 10, U.S.C. are included on the last page of this report.

The following conditions were used in determining depot-level maintenance and repair costs:

- Costs were limited to military materiel, including software that is integral to the operation of military materiel.
- Reporting applies to all depot maintenance support requirements, regardless of the source or sponsor of the program.
- Reporting applies to all funding sources and all customers budgeted or managed by the Military Department or Defense Agency.
- Funds used to determine depot-level maintenance and repair costs in this report are funds made available are for depot-level maintenance and repair obligations for FY 2018 and projected obligations for FYs 2019 and 2020.
- Reporting 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).
- Costs include all factors of production.
- Costs include the installation costs of all modifications when the installation is considered a depot-level service.
- Reporting is made from the perspective of the component that manages the funding for, or owns, the equipment that is being repaired or maintained.
- Costs include 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.
- Costs for acquisition of modifications and upgrades are 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 section 2474(f) 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, as authorized

by section 2474(b) of title 10, U.S.C. Section 2466(d)(2) requires that the report required under section 2466(d)(1) include any expenditure covered by section 2474(f) that was made during the fiscal year covered by the report as a separate item, and that the report specify the amount and nature of each expenditure. The following applies to determination of the section 2474(f) exclusion:

- The depot maintenance activity where the workload was performed must have been designated a Center of Industrial and Technical Excellence.
- The workload must be pursuant to a public-private partnership for depot maintenance.
- The workload must be performed by non-Federal Government personnel provided by private industry or other entities outside the Department of Defense.

REPORT

Title 10 U.S.C. section 2466(a) limits Military Department or Defense Agency from expending more than 50 percent of the funds made available for the performance of depot-level maintenance and repair on contracts for the performance of depot-level maintenance and repair workload by non-Federal Government personnel. The expenditures and percentage distribution of depot-level maintenance and repair workloads between the public and private sectors is displayed in the table that begins on page four of this report.

The table is organized in four sections. The first section displays the expenditures and distribution of workloads for the Military Departments as required by title 10 U.S.C., section 2466(a). The second section, “Department of the Navy - Armed Forces Component Data,” breaks out the Department of the Navy (DON) by its component armed forces, the Navy and the Marine Corps, as specified by section 2466(d)(1). The third section, “Defense Agencies,” displays expenditures and workload distribution for reporting Defense Agencies. Lastly, the fourth section, “Other Defense Organizations,” provides information for organizations that do not meet the definition of Armed Forces, Military Department, or Defense Agency under section 101(a)(4), (8), and (11) of title 10, U.S.C., and therefore are not subject to the 50 percent limitation in section 2466(a). Based on past practices, depot expenditures for the United States Special Operations Command (USSOCOM) are included in this section.

The table displays actual expenditures for FY 2018 and projected expenditures for FY 2019 and FY 2020. The category “**Federal Work**” refers to public sector depot-level maintenance and repair workload performed by DoD personnel. Consistent with statutory language, contracted depot-level maintenance and repair workload performed by non-Federal Government personnel is referred to as “**Non-Federal Work**.” Non-Federal contract or private sector depot workloads subject to the 50 percent limitation do not include expenditures under CITE Public-Private Partnerships. CITE partnership expenditures for which depot-level maintenance and repair workload is performed by non-Federal Government personnel at a CITE are excluded from the percentage calculation for contract depot-level maintenance by section 2474(f) and are included under category “**Non-Federal Work Excluded**.” Consequently, the expenditures that are subject to the 50 percent limitation are in the category “**Non-Federal Work Non-Excluded**.” Although qualifying CITE public-private partnership expenditures are excluded from the percentage calculation for contracted depot-level maintenance, such expenditures are

included in the total of depot-level maintenance expenditures. Since the USSOCOM is neither a Military Department nor a Defense Agency, neither the section 2466(a) limitation nor the section 2474(f) exclusion applies to its depot-level maintenance and repair workload expenditures.

For this reporting period, Military Department and Defense Agency compliance with section 2466(a) is based on actual FY 2018 expenditures; the percentage listed in the FY 2018 column for category “**Private Portion Non-Excluded**” may not exceed 50 percent of the “**Total Funds**” available for the performance of depot-level maintenance and repair workload. All three Military Departments report compliance with the 50 percent limitation for funds used to contract for the performance of depot-level maintenance and repair workload by non-Federal Government personnel in FY 2018 and are projecting compliance for FY 2019 and FY 2020. The Missile Defense Agency (MDA) exceeded the 50 percent limit for contracted depot-level maintenance and repair workload expenditures for the Ballistic Missile Defense System (BMDS).

INTERNAL AUDIT REQUIREMENT

This section includes a description of the efforts made by each of the Military Departments and Defense Agencies to validate the data submitted for the annual report to Congress required by title 10 U.S.C., section 2466, using internal audit agencies, per Office of the Secretary of Defense (OSD) policy.

Army: The Army Audit Agency (AAA) reviewed the methods the Office of the Deputy Chief of Staff, G-4 and Headquarters, Army Materiel Command, used for capturing, consolidating, and reporting depot workload data. The AAA also validated the accuracy of the data and evaluated compliance with OSD reporting guidance. This year, the AAA focused primarily on the Aviation and Missile Life Cycle Management Command and the Program Management Offices assigned to the Program Executive Offices for Aviation and for Missiles and Space. The AAA conducted an in-depth review of 493 transactions valued at over \$1.0 billion. The AAA will publish its official report in October 2019.

Navy: The Naval Audit Service (NAS) reviewed data sets of selected organizations that collectively comprised the majority of the Navy’s total reported depot maintenance funds. The NAS review focused on the accuracy and reliability of reported data and required supporting documentation as well as compliance with DoD and DON reporting requirements. All preliminary findings from the review have been incorporated and are reflected in this report.

Air Force: The Air Force Audit Agency (AFAA) conducted a review of selected aspects of the C-130 H/J, C-17, and A-10 weapon systems reporting processes for this report. The AFAA determined the initial submissions overstated contract workload by \$652M and overstated organic workload by \$8.8M. All audit finding corrections are reflected in this report.

MDA: The MDA’s Internal Review Office conducted an audit of the data submitted by program offices of the BMDS reporting depot maintenance expenditures, in accordance with generally accepted government auditing standards.

**Distribution of DoD Depot Maintenance Workloads
For Fiscal Years 2018 Through 2020**

Military Departments	Workload Distribution/Reporting Category	(\$Millions)		
		2018	2019	2020
Army	Total Funds	5,120.2	5,171.1	5,264.1
	Federal Work	3,174.0	3,582.8	3,516.3
	Non-Federal Work Total	1,946.2	1,588.3	1,747.8
	Non-Federal Work Non-Excluded	1,946.1	1,582.9	1,741.4
	Non-Federal Work Excluded	.084	5.4	6.4
	Public Portion	62.0%	69.3%	66.8%
	Private Portion Non-Excluded	38.0%	30.6%	33.1%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>			<u>Amount Excluded in FY 2018 (\$M)</u>	
TACOM Stryker RESET labor			.084	
Navy	Total Funds	17,638.3	17,679.2	18,615.3
	Federal Work	8,791.0	8,976.6	9,497.2
	Non-Federal Work Total	8,847.3	8,702.6	9,118.1
	Non-Federal Work Non-Excluded	8,784.3	8,637.6	9,050.4
	Non-Federal Work Excluded	63.1	65.0	67.7
	Public Portion	49.8%	50.8%	51.0%
	Private Portion Non-Excluded	49.8%	48.9%	48.6%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>			<u>Amount Excluded in FY 2018 (\$M)</u>	
Engine Repair			46.5	
Rotary Repair			10.7	
F/A-18 Repair			3.7	
TRANDES – 14AMD			1.9	
Repair, Common			0.2	
Total			63.1	

**Distribution of DoD Depot Maintenance Workloads
For Fiscal Years 2018 Through 2020 (continued)**

Military Departments - Continued	Workload Distribution/Reporting Category	(\$Millions)		
		2018	2019	2020
Air Force	Total Funds	13,886.6	14,472.1	15,279.6
	Federal Work	7,746.2	7,973.7	8,527.2
	Non-Federal Work Total	6,140.4	6,498.4	6,752.4
	Non-Federal Work Non-Excluded	5,983.7	6,311.0	6,565.4
	Non-Federal Work Excluded	156.7	187.4	187.0
	Public Portion	55.8%	55.1%	55.8%
	Private Portion Non-Excluded	43.1%	43.6%	43.0%

		Amount Excluded in FY 2018 (\$M)
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>		
OC-ALC: F119 Engine – Special technologies engine component repair		3.2
WR-ALC: LANTIRN – Phase I – Component Repair		5.6
OC-ALC: B-1 Software – Software Maintenance		77.4
OC-ALC: B-2 Software – Software Maintenance		70.5
Total		156.7

Department of the Navy - Armed Forces Component Data	Workload Distribution/Reporting Category	(\$Millions)		
		2018	2019	2020
Navy	Total Funds	17,235.8	17,180.3	18,217.2
	Federal Work	8,491.8	8,662.0	9,224.6
	Non-Federal Work Total	8,744.0	8,518.3	8,992.6
	Non-Federal Work Non-Excluded	8,681.0	8,453.3	8,924.9
	Non-Federal Work Excluded	63.1	65.0	67.7
	Public Portion	49.3%	50.4%	50.6%
	Private Portion Non-Excluded	50.4%	49.2%	49.0%
USMC	Total Funds	402.5	498.9	398.1
	Federal Work	299.2	314.6	272.6
	Non-Federal Work Total	103.3	184.3	125.5
	Non-Federal Work Non-Excluded	103.3	184.3	125.5
	Non-Federal Work Excluded	0.0	0.0	0.0
	Public Portion	74.3%	63.1%	68.5%
	Private Portion Non-Excluded	25.7%	36.9%	31.5%

**Distribution of DoD Depot Maintenance Workloads
For Fiscal Years 2018 Through 2020 (continued)**

Defense Agencies	Workload Distribution/Reporting Category	(\$Millions)		
		2018	2019	2020
MDA	Total Funds	240.0	257.4	269.4
	Federal Work	11.4	16.8	19.8
	Non-Federal Work Total	228.6	240.6	249.6
	Non-Federal Work Non-Excluded	219.2	216.5	222.2
	Non-Federal Work Excluded	9.4	24.1	27.4
	Public Portion	4.8%	6.5%	7.3%
	Private Portion Non-Excluded	91.3%	84.1%	82.5%
<u>Expenditures Excluded as CITE Partnering under 10 U.S.C. 2474(f):</u>			<u>Amount Excluded in FY 2018 (\$M)</u>	
Electronics Equipment Unit (EEU) Refurbishment - LEAD			9.4	
Other Defense Organizations				
United States Special Operations Command (USSOCOM)	Total Funds	1,678.3	1,968.7	1,958.1
	Federal Work	0.0	0.0	0.0
	Non-Federal Work Total	1,678.3	1,968.7	1,958.1
	Public Portion	0.0%	0.0%	0.0%
	Private Portion Non-Excluded	100.0%	100.0%	100.0%

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 2466.¹ 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.**²—

(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, Section 2474, Subsection (f)³—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.

¹ As amended by P.L. 108-375, section 321.

² As amended by P.L. 111-84, section 329.

³ As amended by P.L. 109-364, section 331.