



April 2021

DEPOT MAINTENANCE

DOD Should Improve Pandemic Plans and Publish Working Capital Fund Policy



A Century of Non-Partisan Fact-Based Work

GAO@100 Highlights

Highlights of [GAO-21-103](#), a report to congressional committees

Why GAO Did This Study

Pandemics such as COVID-19 can impact the productivity of critical DOD depots that maintain weapon systems if essential personnel are unable to report for work. Navy and Air Force WCFs must also maintain cash balances sufficient for the activities they support, including the eight depots operated by the Marine Corps, Navy, and Air Force, to sustain readiness.

GAO was asked to assess the effects of COVID-19 on WCF and depot operations as part of its CARES Act oversight. This report (1) describes how COVID-19 impacted Marine Corps, Navy, and Air Force depot productivity; (2) examines the extent to which depot actions in response to COVID-19 addressed key practices to support the workforce, continue operations, and improve crisis response; and (3) examines the extent to which WCF cash management policy ensured financial solvency and reflected current guidance. GAO reviewed DOD guidance, depot revenue data for fiscal year 2020, and documents related to the impact of COVID-19 on productivity and WCF solvency; and interviewed depot and financial management officials.

What GAO Recommends

GAO is making nine recommendations, including that DOD develop guidance and a communication plan for mission-essential depot personnel; update contingency plans and exercises; record lessons learned from COVID-19; and publish WCF cash management policy. DOD concurred with GAO's recommendations.

View [GAO-21-103](#). For more information, contact Diana Maurer at (202) 512-9627 or MaurerD@gao.gov or Asif A. Khan at (202) 512-9869 or KhanA@gao.gov.

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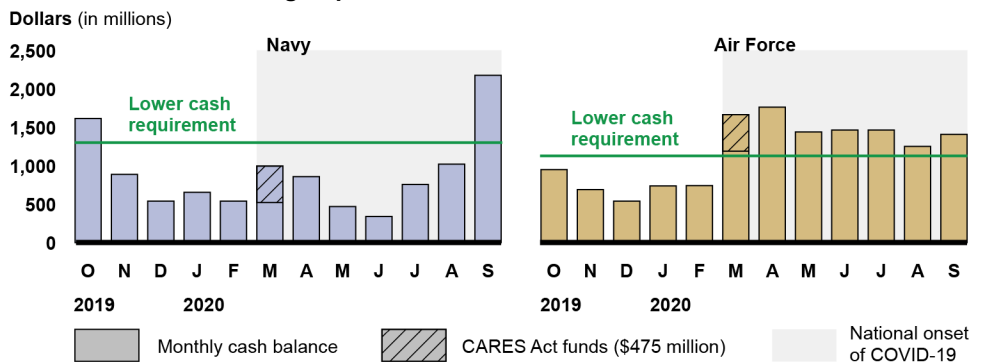
What GAO Found

The Coronavirus Disease 2019 (COVID-19) pandemic exacerbated productivity challenges Marine Corps, Navy, and Air Force depots already faced, such as not having enough personnel to perform maintenance. At half of the eight depots GAO reviewed, productivity was lower than planned every month during fiscal year 2020. For example, revenue at one Air Force depot was about 10 to 30 percent less than planned throughout fiscal year 2020. Prior to COVID-19, depot revenue was decreased due to fewer orders than planned at Marine Corps and Navy depots, and fewer flying hours than planned at Air Force depots, according to officials. After the onset of COVID-19, all eight depots reported that some of the challenges they were already facing worsened, such as personnel shortages.

Marine Corps, Navy, and Air Force management supported their workforce during COVID-19, but had challenges continuing operations and improving crisis response, according to GAO analysis. Depots supported the workforce by considering local conditions, adjusting operating schedules, and using remote work. However, depots did not consistently address key practices for continuing operations. Depot officials said that adapting existing contingency plans for natural disasters to COVID-19 added to confusion among mission-essential personnel early in the pandemic. Additionally, depots did not consistently document lessons learned. Improving guidance to depots, updating contingency plans to address a long-term crisis impacting the depot workforce, and using lessons learned from the COVID-19 pandemic to develop exercises, will help the depots protect the workforce and maintain productivity during a future crisis.

Congress and the Department of Defense (DOD) took steps to ensure the Navy and Air Force Working Capital Funds (WCFs) were solvent at the end of fiscal year 2020, but DOD's cash management policy is not reflected in current guidance. In March 2020, Congress provided the Navy and Air Force WCFs \$475 million each through the CARES Act. In addition, DOD, Navy, and Air Force officials used a cash management policy in draft since July 2015 to raise cash balances above the lower cash requirement by the end of fiscal year 2020. However, DOD's cash management policy is not reflected in published DOD *Financial Management Regulation*. Publishing the guidance would improve transparency and the ability of Congress to oversee DOD WCFs.

Fiscal Year 2020 Working Capital Fund Cash Balances



Source: GAO analysis of Navy and Air Force Working Capital Funds cash data. | GAO-21-103

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Abbreviations

ALC	Air Logistics Complex
COVID-19	Coronavirus Disease 2019
COOP	Continuity of Operations Plan
DOD	Department of Defense
FMR	Financial Management Regulation
FRC	Fleet Readiness Center
WCF	Working Capital Fund

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April 6, 2021

Congressional Committees

Pandemics such as Coronavirus Disease 2019 (COVID-19) can damage global security and diminish military readiness if essential personnel who repair and maintain complex weapon systems and equipment at Department of Defense (DOD) depots are physically away from the workplace for weeks or months. The Marine Corps, Navy, and Air Force operate eight depots that are crucial to sustaining military readiness by ensuring that critical weapon systems are maintained and returned for use in training and operations.

The Navy and Air Force use working capital funds (WCF) to finance the provision of goods and services, parts and supplies, transportation, research and development, and depot maintenance by their respective depots.¹ The Navy WCF finances work performed at two Marine Corps Production Plants and three Navy Fleet Readiness Centers (FRC). The Air Force WCF finances work performed at three Air Force Air Logistics Complexes (ALC).² In June 2020, we reported that DOD officials stated that COVID-19 stay-at-home requirements for DOD personnel who support and maintain weapon systems will reduce productivity—i.e., the amount of work and parts ordered, reducing the ability of depots to generate revenue.³

You asked that we provide an assessment of the effects and implications of the COVID-19 pandemic on WCFs and depot operations as part of our effort to provide oversight of the federal response to COVID-19.⁴ This

¹Both the Navy and Air Force Working Capital Funds received \$475 million each through CARES Act appropriations. Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136, div. B, title III, 134 Stat. 281, 520 (March 27, 2020).

²The Marine Corps Production Plants, Navy FRCs, and Air Force ALCs are all referred to as depots in this report. This review does not include Navy public shipyards, which are not operated using the Navy Working Capital Fund. Similarly, our review does not include the Army Working Capital Fund, which did not receive specific appropriations through the CARES Act.

³GAO, *COVID-19: Opportunities to Improve Federal Response and Recovery Efforts*, [GAO-20-625](#) (Washington, D.C.: June 25, 2020).

⁴We are conducting this work based on your request, as well as oversight authority provided to GAO in section 19010 of the CARES Act, Pub. L. No. 116-136, 134 Stat. 281, 580 (March 27, 2020).

report (1) describes how the COVID-19 pandemic impacted Marine Corps, Navy, and Air Force depots' productivity; (2) examines the extent to which depots took action in response to the COVID-19 pandemic that reflected key practices to support the workforce, continue operations, and improve crisis response; and (3) examines the extent to which Navy and Air Force WCF cash management policy ensured financial solvency and reflected current guidance.



For our first objective, we analyzed information on measures of depot productivity, such as planned and actual revenues for fiscal year 2020. We also analyzed information on other measures that can impact depot productivity, such as the number of hours of leave depot personnel took during fiscal year 2020. We then discussed this information with Marine Corps, Navy, and Air Force officials. During our discussions we focused on understanding whether and how COVID-19 exacerbated challenges to depot productivity that we identified in our prior reports and what other factors, if any, may have also impacted depot productivity.⁵

For our second objective, we compared actions taken by depots against seven key practices and 30 supporting practices we identified as relevant to depot responses to COVID-19. To identify the key and supporting practices, we reviewed guidance to executive branch agencies, DOD instructions and memorandums, our prior reports, and *Standards for Internal Control in the Federal Government*.⁶ We summarized the seven key practices into three areas: support the workforce, continue operations, and improve crisis response, as shown in figure 1 below.

⁵The *Related GAO Products* page at the end of this report includes our prior reports related to DOD depot maintenance.

⁶We identified seven key practices applicable to DOD depot response to the COVID-19 pandemic from prior GAO products such as GAO, *Federal Workforce: Key Considerations for Agencies Returning Employees to Workplaces during Pandemics*, [GAO-20-650T](#) (Washington, D.C.: June 25, 2020); GAO, *Military Depots: DOD Can Benefit from Further Sharing of Best Practices and Lessons Learned*, [GAO-20-116](#) (Washington, D.C.: Jan. 30, 2020); and GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014). We then reviewed guidance to executive branch agencies and our prior products to identify 30 specific supporting practices; these documents included the Office of Management and Budget Memorandum, *Updated Guidance on Telework Flexibilities in Response to Coronavirus* (March 12, 2020); DOD documents, including DOD Instruction 6200.03, *Public Health Emergency Management (PHEM) Within The DOD* (March 28, 2019); DOD Instruction 1100.22, *Policies and Procedures for Determining Workforce Mix* (Apr. 12, 2010) (Incorporating Change 1 Dec. 1, 2017); and DOD Instruction 3020.42, *Defense Continuity Plan Development* (Feb. 17, 2006) (Certified current as of Apr. 27, 2011).

Figure 1: Key Practices to Support the Workforce, Continue Operations, and Improve Crisis Response during a Pandemic

 SUPPORT THE WORKFORCE	 CONTINUE OPERATIONS	 IMPROVE CRISIS RESPONSE
<p>Consider local conditions</p> <ul style="list-style-type: none"> Coordinated with local public health officials as appropriate Considered local conditions when making decisions affecting reporting requirements Considered headquarters priorities and received permission to adjust operations at the local level <p>Balance work duties with personal needs</p> <ul style="list-style-type: none"> Implemented policies that balanced employee work duties and personal responsibilities Ensured the decision process for balancing priorities was clear Consistently ensured a work balance against the interests of employees Maintained a productive and safe environment for on-site workers Proactively considered long-term effects on personnel and the operating environment <p>Provide sufficient information technology</p> <ul style="list-style-type: none"> Had a clear policy in place to support remote work Had a process to convert personnel to remote work stations Considered availability and use of information technology resources in response to the pandemic and adjusted according to needs 	<p>Identify mission-essential personnel</p> <ul style="list-style-type: none"> Performed analysis to identify critical roles Identified mission-essential personnel that could not complete work responsibilities remotely Ensured personnel were informed of mission-essential status and work requirements <p>Maintain standards to ensure performance</p> <ul style="list-style-type: none"> Communicated organizational goals and progress Ensured organizational and employee performance were not diminished Maintained awareness of output metrics Prevented abuse of remote work Prevented abuse of liberal leave policies 	<p>Improve ongoing crisis response</p> <ul style="list-style-type: none"> Coordinated with peer depots Implemented innovative solutions to support operations Shared best practices and corrective actions within the depot Shared best practices and corrective actions with other depots Participated in interagency coordination <p>Use lessons learned to inform future response</p> <ul style="list-style-type: none"> Had a pandemic policy in place Documented impacts of crisis on operations and safety Recorded information about throughput and production factors during the crisis response Recorded lessons learned about the depot response to the pandemic Adapted benefits from crisis response to routine operations Adapted lessons learned from the crisis response in planning documents

Source: GAO analysis of prior GAO Reports and DOD information. | GAO-21-103

We evaluated how Marine Corps, Navy, and Air Force depots responded to COVID-19 by comparing depot management actions to 30 supporting practices we identified. Specifically, we used a scorecard methodology to determine the extent to which each of the depots addressed, partially addressed, or did not address the seven key practices based on the extent to which the depots took actions to address the 30 supporting practices.⁷ To identify the actions, we reviewed documents related to depot responses to COVID-19, and interviewed Marine Corps, Navy, and

⁷Each of the seven key practices was scored based on the evidence available at the time of our site visits according to the following criteria: “Addressed” was defined as having addressed most, but not necessarily all of the supporting practices; “Partially addressed” was defined as having addressed some but not more than half of the supporting practices; and “Not addressed” was defined as not having addressed any of the supporting practices.

Air Force depot officials during site visits conducted in August and September 2020. We reviewed the results of our analysis with the military services and incorporated technical comments as appropriate.

For our third objective, we compared Navy WCF and Air Force WCF monthly cash balances for fiscal year 2020 to the respective Navy and Air Force cash requirements.⁸ In addition, we discussed congressional and management actions taken to ensure the WCFs remained solvent in fiscal year 2020 with DOD, Navy, and Air Force officials responsible for WCF cash management. We also reviewed documentation on and discussed with these officials the potential solvency of the Navy WCF and Air Force WCF for fiscal year 2021. We reviewed relevant DOD guidance, including DOD's *Financial Management Regulation*, to determine DOD's cash management policy from December 2014 through September 2020. We also reviewed *Standards for Internal Controls in the Federal Government* to identify guidance for documenting DOD policies.⁹ We determined that the control activities component of internal control was significant to this objective, along with the related principle that management should implement control activities through policies. We compared DOD cash management policy included in DOD's *Financial Management Regulation* from December 2014 through September 2020 to selected DOD guidance and relevant internal control standards.

We conducted data reliability assessments on the data provided by the Marine Corps, Navy, and Air Force, including depot productivity data, depot maintenance data, and data related to DOD WCF cash balances. To determine whether depot productivity data was reliable, we reviewed revenue and labor data provided by the depots, and interviewed officials about the completeness and accuracy of their data. To determine whether Navy WCF and Air Force WCF cash balance data were sufficiently reliable, we reviewed our prior reports to determine if any material weaknesses were reported. We also reviewed recent, relevant data reliability assessments prepared for our prior work related to depot

⁸DOD's *Financial Management Regulation* requires all DOD working capital funds to determine upper and lower cash requirements based on budgeted assumptions and historical trends in order to maintain cash balances necessary to meet both operational requirements and disbursement requirements. DOD 7000.14-R, *Financial Management Regulation*, vol. 2B, chap. 9, § 090103(A)(1) (July 2017 Draft).

⁹[GAO-14-704G](#).

maintenance.¹⁰ Based on these efforts, we determined that the data were sufficiently reliable for the purposes of our objectives. A more detailed explanation of our scope and methodology can be found in appendix I.

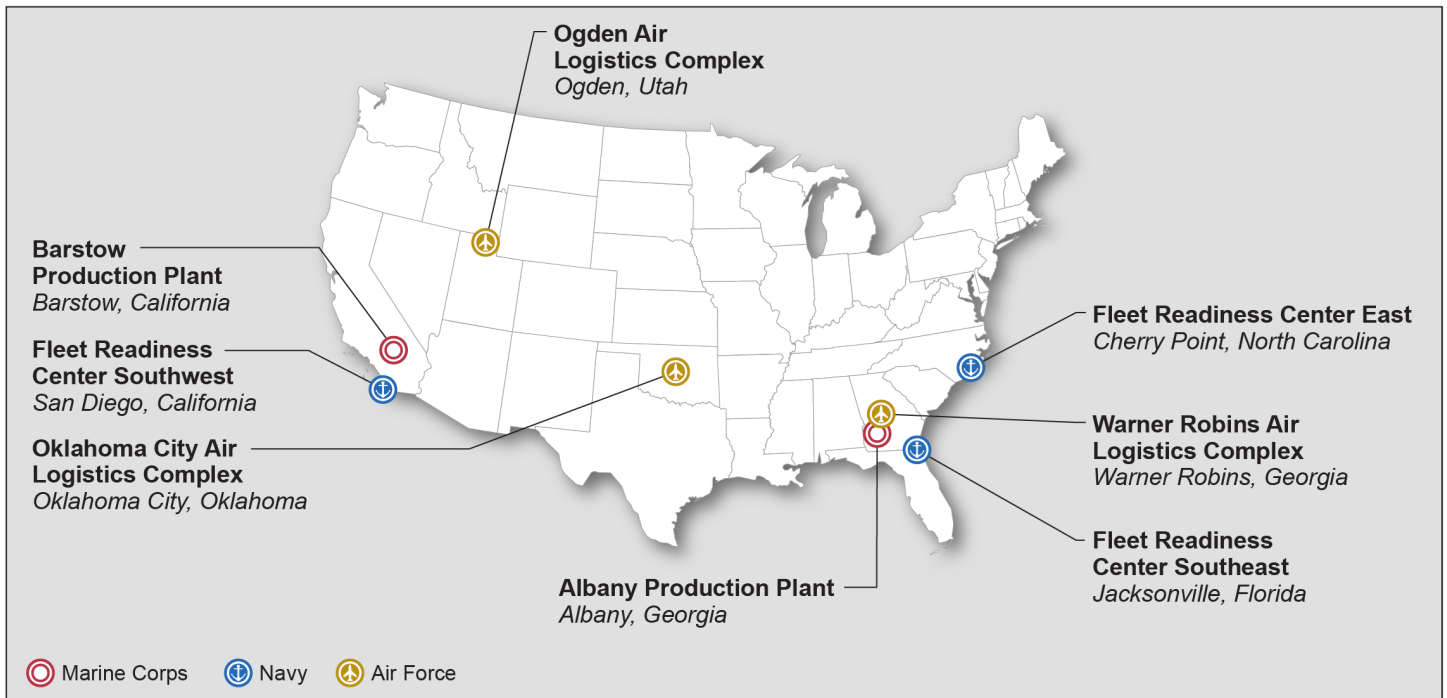
We conducted this performance audit from June 2020 through April 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Marine Corps, Navy, and Air Force operate eight depots using Navy and Air Force WCF, respectively, that are crucial to sustaining military readiness (see figure 2).

¹⁰GAO, *Military Depots: The Navy Needs Improved Planning to Address Persistent Aircraft Maintenance Delays While Air Force Maintenance Has Generally Been Timely*, [GAO-20-390](#) (Washington, D.C.: June 23, 2020); and GAO, *Depot Maintenance: DOD Should Adopt a Metric That Provides Quality Information on Funded Unfinished Work*, [GAO-19-452](#) (Washington, D.C.: July 26, 2019).

Figure 2: Depots Operated Using Navy and Air Force Working Capital Funds to Sustain Weapon Systems



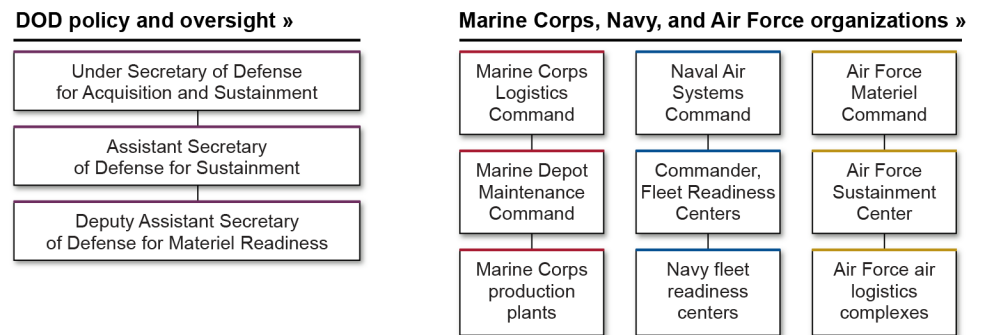
Source: GAO analysis of Department of Defense documents. | GAO-21-103

Depots are government-owned, government-operated industrial installations that maintain, overhaul, and repair a multitude of complex military weapon systems and equipment for DOD. The Navy WCF finances operations at two Marine Corps Production Plants and three Navy FRCs. The Air Force WCF finances operations at three Air Force ALCs. During fiscal year 2020, these 8 depots employed about 40,000 civilians, and completed work valued at about \$10 billion, according to our analysis of DOD data.

Roles and Responsibilities of Depots and Related DOD Organizations

The depots are part of a larger, DOD-wide logistics enterprise that involves different organizations, as shown in figure 3.

Figure 3: Key DOD, Marine Corps, Navy, and Air Force Organizations Related to Depot Management



Source: GAO analysis of Department of Defense (DOD) and military service documentation. | GAO-21-103

Note: This review does not include Navy public shipyards, which are not financed using the Navy Working Capital Fund.

The Under Secretary of Defense for Acquisition and Sustainment. This office is responsible for, among other things, ensuring the defense industrial base, including depots, is robust, secure, resilient, and innovative.

The Assistant Secretary of Defense for Sustainment. This office serves as the principal assistant and advisor to the Under Secretary of Defense for Acquisition and Sustainment on material readiness. Among other responsibilities, the Assistant Secretary of Defense for Sustainment prescribes policies and procedures on maintenance, materiel readiness, and sustainment support.

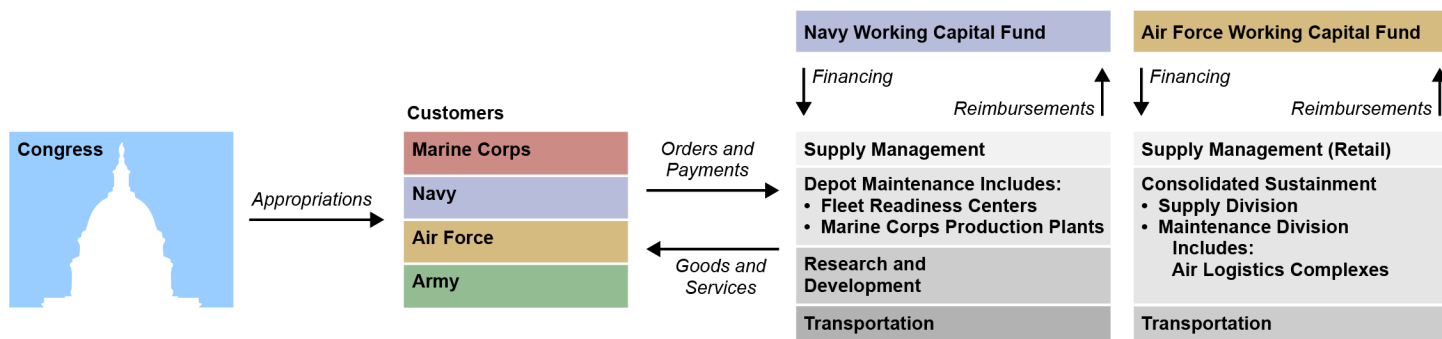
The Deputy Assistant Secretary of Defense for Materiel Readiness. This office is responsible for establishing and updating policies and programs to maintain the desired levels of weapon systems and military equipment readiness to accomplish the Department’s missions.

Overview of Navy and Air Force Working Capital Fund Operations

The Navy and Air Force use WCFs to finance the provision of goods and services such as depot maintenance. The Navy and Air Force WCFs are revolving fund accounts established with an initial appropriation to control

and account for the cost of programs and work performed by DOD.¹¹ WCFs are used by the depots to provide goods and services (depot maintenance, supply parts, transportation, research and development) to a variety of customers, including the Marine Corps, Navy, Air Force, Army, non-DOD agencies, and foreign countries. Unlike businesses, working capital funds are intended to operate on a break-even basis, neither incurring gains nor losses over time. Ongoing WCF activities are financed through customer payments for goods or services provided. Marine Corps, Navy, and Air Force depots finance customer orders through their WCFs. Customers then reimburse the depots, primarily using appropriated amounts. The flow of funding between depot customers and the Navy and Air Force WCFs is illustrated in figure 4.

Figure 4: Overview of Navy and Air Force Working Capital Fund Operations



Source: GAO analysis of Department of Defense (DOD) information. | GAO-21-103

Note: This review does not include Navy public shipyards, which are not financed using the Navy Working Capital Fund.

DOD's cash management policy requires the WCFs to maintain a positive cash balance necessary to meet operating, capital investment, and other requirements throughout the year and to support requirements into the subsequent year.¹² Higher-than-expected costs or lower-than-expected sales can result in lower cash balances. Similarly, lower-than-expected costs or higher-than-expected customer sales during the fiscal year may

¹¹To control and account more effectively for the cost of programs and work performed, pursuant authorization from 10 U.S.C. § 2208, the Secretary of Defense may establish working capital funds to finance inventories of designated supplies and to provide working capital for industrial- and commercial-type activities that provide common services within or among DOD components.

¹²DOD 7000.14-R, *Financial Management Regulation*, vol. 2B, chap. 9, § 090103(A)(1) (July 2017 Draft).

generate excessive cash gains.¹³ Basically, WCFs should maintain minimum cash balances sufficient to pay bills. If balances are projected to drop below DOD's lower cash requirement, DOD regulations provide options to generate cash by using, for example, out-of-cycle rate adjustments, surcharges, and reprogramming actions. For more information on DOD Working Capital Funds see appendix II.

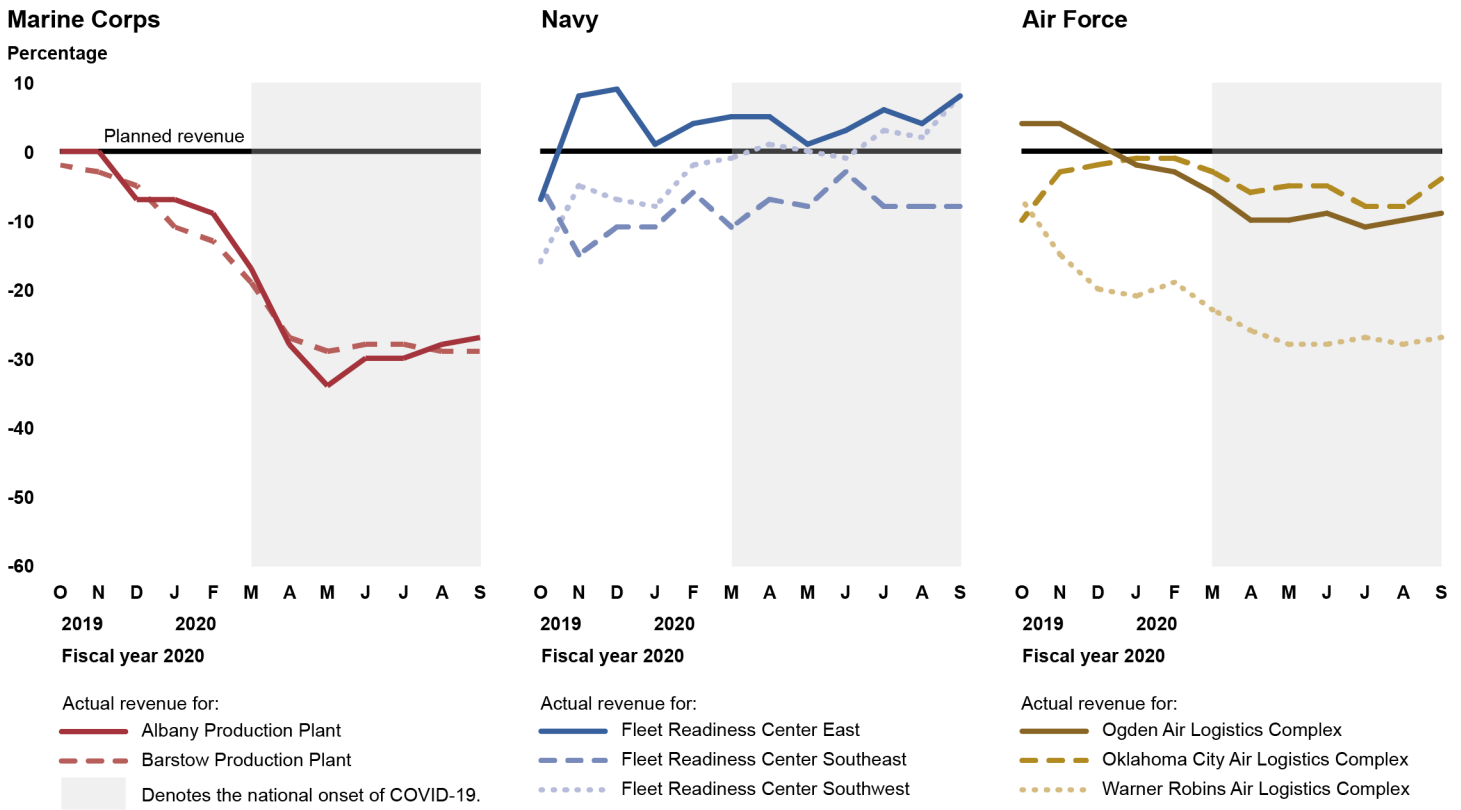
COVID-19 Exacerbated Preexisting Challenges to Depot Productivity

Depot Productivity Was Lower than Planned Throughout Fiscal Year 2020

Marine Corps, Navy, and Air Force depot productivity was lower than planned throughout fiscal year 2020, and the situation was exacerbated after the onset of the COVID-19 pandemic. Specifically, our analysis of planned and actual monthly revenues shows that most of the eight depots in our review did not meet planned monthly revenue goals prior to the onset of COVID-19 or by the end of fiscal year 2020, as shown in figure 5.

¹³Each WCF establishes upper and lower cash requirements to manage a range of operations. WCF cash requirements are developed based on four primary elements: 1) the rate of disbursements; 2) the range of operations; 3) risk mitigation; and 4) reserves. The range of operation is the difference between the highest and lowest expected cash level based on budget assumptions and past experience.

Figure 5: Marine Corps, Navy, and Air Force Actual Monthly Revenue by Depot as a Percentage of Planned Monthly Revenue Goals during Fiscal Year 2020



Source: GAO analysis of depot information. | GAO-21-103

Note: Planned and actual revenue excludes any unbudgeted price increases (known as surcharges) the services processed during the year.

Marine Corps, Navy, and Air Force officials told us that prior to and following the onset of COVID-19, their respective depots faced various challenges meeting their monthly productivity goals for fiscal year 2020. For example:

- Marine Corps officials told us that when they began fiscal year 2020, the actual monthly revenues of their production plants were lower than planned because of reduced demand for maintenance from the other military services. Officials stated some of the depot workload is performed by contract labor. Prior to the onset of COVID-19, the Marine Corps decided not to renew a contract set to expire in the spring in response to reduced demand. After the onset of COVID-19, actual revenues remained below planned monthly revenue goals at

both Marine Corps production plants through the end of fiscal year 2020, in part due to the impact of COVID-19, according to officials.

- Navy officials at both FRC Southeast and FRC Southwest told us that due to continuing resolutions during the first quarter of fiscal year 2020, they received fewer orders than planned prior to the onset of COVID-19, and as a result, demand for work was lower than expected.¹⁴ After the onset of COVID-19, actual revenues remained below planned monthly revenue goals at FRC Southeast, in part due to issues affecting the F-18 program. For example, FRC Southeast officials told us they were on track to meet certain production goals for the F-18 program by the end of fiscal year 2020, but experienced production delays because they had a number of employees go out on leave due to COVID-19. However, FRC East was able to meet its monthly revenue goals throughout most of fiscal year 2020. FRC Southwest was able to meet its monthly revenue goals as well by the end of fiscal year 2020. According to officials, FRC East and FRC Southwest met revenue goals by coordinating their respective responses to COVID-19 with their employee unions and by using various mitigation strategies, such as reassigning personnel, implementing shift changes, and increasing their use of overtime.
- Air Force officials said a number of factors impacted productivity of their ALCs during fiscal year 2020. These included reductions to the Air Force flying hour program for fiscal year 2020, which reduced demand for the repair of spare parts and in turn revenue levels at the ALCs, and other issues affecting specific weapon systems. For example, Air Force officials said that unforeseen corrosion and structural issues impacted the F-16 program, and parts shortages impacted both the A-10 and Minute Man III programs. In both cases, repairs took longer than expected, which impacted depot productivity. As another example, officials at Warner Robins ALC told us they began the fiscal year completing repairs on several C-5 aircraft that were not finished during fiscal year 2019, but did not result in revenue during fiscal year 2020. In addition, officials at Warner Robins ALC stated that issues associated with F-15 fuselages impacted productivity prior to the onset of COVID-19. After the onset of COVID-19, actual revenues remained below planned monthly revenue goals

¹⁴During fiscal year 2020, DOD operated under a series of continuing resolutions, a type of appropriation, until passage of the *Consolidated Appropriations Act, 2020*, Pub. L. No. 116-93 (Dec. 20, 2019). When action on regular appropriation bills is not completed before the beginning of the fiscal year, a continuing resolution may be enacted in a bill or joint resolution to provide funding for the affected agencies for the full year, up to a specified date, or until their regular appropriations are enacted.

at all three ALCs for the remainder of fiscal year 2020. Air Force officials attributed difficulty meeting revenue goals in fiscal year 2020 to the impact of COVID-19.

COVID-19 Exacerbated Challenges the Eight Depots Were Already Facing to Their Productivity

We have previously reported that a variety of challenges can affect depot productivity or performance. These challenges included not having personnel with the right skills, not having the right facilities or equipment to perform depot maintenance, and not having adequate information technology, among other things.¹⁵ At the time of our site visits in August and September 2020, officials at all eight depots told us they were facing a number of challenges to their productivity at the onset of COVID-19, and we found that COVID-19 exacerbated some of those challenges, as shown in figure 6.

Figure 6: Challenges to Depot Productivity Exacerbated by COVID-19

Challenge	Depot type and location							
	Marine Corps Production Plant		Navy Fleet Readiness Center			Air Force Air Logistics Complex		
	Albany	Barstow	East	Southeast	Southwest	Ogden	Oklahoma City	Warner Robins
Workforce , such as personnel shortages or not having the personnel with the right skills to perform work.	●	●	●	●	●	●	●	●
Parts and materials , such as not being able to find the right spare parts or materials or facing delays obtaining parts or materials.	●	●	●	●	●	●	●	●
Unplanned work , such as receiving new requirements or having to redo work that was already performed.			●	●		●		●
Information technology infrastructure , such as not having adequate technology to communicate with others or having obsolete systems.			●	●		●		●
Facilities and equipment , such as not having adequate facilities to perform work or facilities or equipment that are in poor condition.			●		●			
Weapon systems arriving as planned , such as receiving equipment for maintenance or repair at a different time than expected.						●	●	

● Denotes a pre-existing challenge to depot productivity that COVID-19 exacerbated.

Source: GAO analysis of depot information. | GAO-21-103

At all eight of the depots, COVID-19 exacerbated productivity challenges the depots were already facing with workforce and parts and materials, according to our analysis. In addition, at half of the depots we found that

¹⁵See, for example, [GAO-20-116](#) and GAO, *Military Depots: Actions Needed to Improve Poor Conditions of Facilities and Equipment that Affect Maintenance Timeliness and Efficiency*, [GAO-19-242](#) (Washington, D.C.: Apr. 29, 2019). The *Related GAO Products* page at the end of this report includes other reports related to DOD depot maintenance.

COVID-19 exacerbated challenges they were already facing with unplanned work and information technology issues. The following are examples of what Marine Corps, Navy, and Air Force officials told us regarding these issues:

- **Workforce.** Officials from all eight depots told us COVID-19 exacerbated challenges they were already facing with their workforce when the pandemic began, such as personnel shortages or not having personnel with the right skills to perform work. Marine Corps, Navy, and Air Force officials told us that, in order to protect personnel with certain medical conditions or at higher risk of developing a severe illness due to COVID-19, they sent personnel home or placed them on weather and safety leave at the onset of COVID-19.¹⁶ In some cases, such actions affected a significant percentage of a depot's workforce. For example, Marine Corps officials told us that, in order to protect their workforce, they shut down their production plant in Albany, Georgia for 8 weeks and substantially reduced operations at their production plant in Barstow, California for 6 weeks. Similarly, officials at both Oklahoma City ALC and Warner Robins ALC told us they sent about half their workforce home on weather and safety leave in March 2020, and did not return to normal levels until May.

Additionally, a number of other issues contributed to the availability of staff at the depots to perform work. Navy and Air Force officials told us that personnel were subject to state requirements limiting how far they could travel for official government business without having to self-quarantine, sometimes for up to 2 weeks. According to Air Force officials, such requirements, in addition to the closure of schools, daycares, and other businesses that affected the communities where the depots are located, also contributed to personnel taking more leave than planned or being absent. Navy and Air Force officials also told us that personnel were sometimes sent home or placed on leave due to various state or local stay-at-home requirements. Such requirements contributed to the loss of almost 600,000 production hours at Warner Robins ALC during fiscal year 2020. According to our analysis, personnel at the eight depots in our review took more than 3 million hours of leave—almost 80 hours per employee—during fiscal

¹⁶Weather and safety leave is a type of paid administrative leave available to federal civilian employees at an agency's discretion. When an agency determines that employees cannot safely travel to and from, or perform work at their normal worksite or other approved location due to emergency situations, weather and safety leave is permitted. 5 U.S.C. § 6329c(b).

year 2020 that the Marine Corps, Navy, and Air Force officials attributed to COVID-19.

- **Parts and materials.** Officials said that COVID-19 also exacerbated challenges all eight depots were already facing with parts and materials when the pandemic began, such as not being able to find the right spare parts or materials or facing delays obtaining parts or materials. Specifically, Marine Corps, Navy, and Air Force officials told us that following the onset of COVID-19, depots experienced disruptions to their respective supply chains. For example, Marine Corps officials told us they experienced delays obtaining certain parts for Amphibious Assault Vehicles. Navy officials also told us they experienced delays, which were sometimes only minor, obtaining deliveries from contractors. In the case of the Air Force, officials described a range of issues, from difficulty obtaining certain materials or spare parts, to difficulty gaining access to military bases for delivery drivers. For example, officials told us parts suppliers for the KC-135 program shut down and that they experienced delays obtaining certain raw materials for parts from Mexico due to border closures.
- **Unplanned work and information technology infrastructure.** Officials from four of the eight depots also told us COVID-19 either exacerbated challenges they were already facing responding to unplanned work, such as receiving new requirements, or with their information technology infrastructure. For example, Air Force officials told us they needed to respond to unplanned work, such as diverting personnel to clean workspaces during the pandemic, and had to reschedule depot repairs for a number of weapon systems as a result. As another example, FRC Southeast officials told us that following the onset of COVID-19 they had to develop new software applications, such as a SharePoint site, to help personnel communicate and share information while teleworking.¹⁷

¹⁷SharePoint is a Microsoft web-based tool designed to store, organize, share, and access information.

Marine Corps, Navy, and Air Force Actions Supported the Depot Workforce during COVID-19, but Did Not Fully Reflect Key Practices for Continuing Operations and Informing Future Crises

We found that depot management actions related to supporting the workforce at the eight depots in our review generally addressed key practices to consider local conditions and balance work duties and personal needs, and partially addressed key practices for providing sufficient information technology. However, we found that Marine Corps, Navy, and Air Force depots differed in their approach related to continuing operations and the key practices of identifying mission-essential personnel and maintaining standards to ensure performance. In addition, the depots were not consistent in their approach related to informing future crises and the key practices of improving the ongoing crisis response or recording lessons learned during the COVID-19 pandemic.

Marine Corps, Navy, and Air Force Depot Management Generally Supported Their Respective Workforce in Response to COVID-19

Marine Corps, Navy, and Air Force depot management generally supported their respective workforce in response to COVID-19 by taking actions to consider local conditions, balance work duties and personal needs, and provide sufficient information technology to support remote work to the extent possible, according to our analysis. These actions generally addressed key practices to consider local conditions and balance work duties and personal needs, and partially addressed key practices for providing sufficient information technology, as shown in figure 7.

Figure 7: GAO’s Assessment of Depot Actions Related to Key Practices to Support the Workforce in Response to the COVID-19 Pandemic

Key practice	Depot type and location							
	Marine Corps Production Plant		Navy Fleet Readiness Center			Air Force Air Logistics Complex		
	Albany	Barstow	East	Southeast	Southwest	Ogden	Oklahoma City	Warner Robins
Consider local conditions	●	●	●	●	●	●	●	●
Balance work duties with personal needs	◐	◐	●	●	●	●	●	●
Provide sufficient information technology	◐	◐	●	◐	●	◐	◐	◐

● Addressed ◐ Partially addressed

Source: GAO analysis of depot information. | GAO-21-103

Consider local conditions. Every depot we met with considered local conditions in its response to COVID-19, and Marine Corps, Navy, and Air Force depot management stated they had the authority they needed to respond to local conditions. Depot management officials stated they adjusted operating schedules and work processes to protect personnel. For example, according to Marine Corps officials, Dougherty County, Georgia, had the third highest rate of COVID-19 per capita in the United States during March and April 2020, and Marine Corps depot management decided to close the production plant in Albany, Georgia, for 8 weeks to protect depot personnel. Marine Corps depot management officials also decided to substantially reduce operations at the production plant in Barstow, California for 6 weeks as they had begun to see cases there, and the full extent of survivability and lethality of COVID-19 was unknown. Marine Corps officials said that in hindsight depot personnel seemed to be safer reporting to work than the general population, and reductions to depot productions may have an adverse effect on readiness. Marine Corps officials gradually returned their depots to full operational capacity by the end of May 2020. Navy and Air Force officials stated that production was slowed due to COVID-19, but stated that they could not estimate COVID-19's impact on readiness.

Balance work duties and personal needs. Depot management adjusted operating schedules in response to COVID-19. For example, the three Navy FRCs and the three Air Force ALCs shifted operating schedules for many personnel to allow social distancing and minimize exposure for high risk personnel. This was typically done using staggered shifts or rotational schedules among the personnel to balance personnel work duties at the depots with their personal responsibilities. For example, according to officials at Navy FRC Southwest, their personnel collaborated to adjust schedules for people with school age children or other competing priorities.

To provide a safe environment for onsite personnel, depot management adjusted facilities and work processes to address guidelines for social distancing and used their own personnel to enhance safety, according to officials. Specifically, depot personnel installed transparent acrylic sheeting and work station dividers; marked safe social distances between work stations; and kept common areas clean. In addition, depot management often adapted their own processes to manufacture personal protective equipment and sanitizing liquids. Moreover, some depot management required additional training to address COVID-19. For example, officials at Warner Robins ALC stated they created training for safety technicians so they would know their roles and responsibilities

during COVID-19. Depots generally erred on the side of caution with respect to considering the long-term effects on personnel and the operating environment. For example, Marine Corps officials stated that their decisions were made out of an abundance of caution to protect the workforce. Similarly, Oklahoma City ALC officials stated that in hindsight, they sent a larger portion of the workforce home early in their response to COVID-19 than may have been necessary to protect personnel.

Provide sufficient information technology. After the national onset of the COVID-19 pandemic in March 2020, all eight depots in our review expanded the use of telework and adapted to overcome information technology challenges to the extent possible, such as shortages of laptops, virtual private network bandwidth, and lack of guidance for teleworking.¹⁸

However, network connectivity, hardware, and security problems were common among all eight depots we reviewed, which affected their respective transitions to the remote environment, according to officials. For example:

- During the initial transition to telework, many personnel were unable to log onto the Air Force Network or access the Virtual Private Network, which diminished overall productivity for several weeks.
- Ogden ALC sent a notice encouraging supervisors to maximize the utilization of telework, but this was a challenge for the depot because the bandwidth and internet connectivity was not robust enough to support remote telework.
- FRC Southwest was not prepared to support maximum telework during the onset of COVID-19 because they did not have laptops for about 40 percent of staff working remotely. FRC Southwest adjusted processes during the first several weeks of the pandemic to allow personnel to connect remotely using desktop or personal computers.
- Marine Corps, Navy, and Air Force depot officials worked, to the best of their ability, to provide hardware and address security concerns for telework eligible personnel as the response to COVID-19 proceeded, according to depot officials.

¹⁸According to depot officials, the depot process often includes hands-on work that cannot be completed remotely. Personnel that could not work remotely adjusted schedules, breaks, and work processes to minimize risk and to limit the transmission of COVID-19.

In June 2020, we testified that agencies should consider the extent to which their information technology, including technical support and security, is adequate to support increased remote work during a pandemic, and whether procedures and standards are in place that ensure telework does not diminish organizational and employee performance.¹⁹ In addition, the DOD Inspector General announced a review of DOD Information Technology and communications during COVID-19 on June 15, 2020.

Marine Corps, Navy, and Air Force Depot Management Did Not Consistently Address Key Practices for Continuing Operations during COVID-19

We found that Marine Corps, Navy, and Air Force depot management did not consistently take actions that addressed key practices for continuing operations during COVID-19, as shown in figure 8. For example, officials told us that all depot personnel were identified as mission-essential. However, in response to COVID-19, Marine Corps, Navy, and Air Force depot management did not always ensure that personnel were aware of their mission-essential status, that roles and responsibilities were clear, or that organizational and employee performance was maintained.

Figure 8: GAO’s Assessment of Depot Actions Related to Key Practices to Continue Operations in Response to the COVID-19 Pandemic

Key practice	Depot type and location							
	Marine Corps Production Plant		Navy Fleet Readiness Center			Air Force Air Logistics Complex		
	Albany	Barstow	East	Southeast	Southwest	Ogden	Oklahoma City	Warner Robins
Identify mission-essential personnel	◐	◐	●	◐	◐	●	●	●
Maintain standards to ensure performance	◐	◐	●	●	●	●	◐	●

● Addressed ◐ Partially addressed

Source: GAO analysis of depot information. | GAO-21-103

Identify mission-essential personnel. The roles and responsibilities of depot personnel as mission-essential personnel was sometimes unclear to depot leadership and personnel. According to DOD, defense industrial base personnel such as those employed at DOD depots are mission-essential and expected to maintain normal work schedules. The Under Secretary of Defense (Acquisition and Sustainment) issued a memorandum on March 20, 2020 notifying the Defense Industrial Base,

¹⁹For more information see GAO, *Federal Workforce: Key Considerations for Agencies Returning Employees to Workplaces during Pandemics*, [GAO-20-650T](#) (Washington, D.C.: June 25, 2020).

which includes DOD depots, that they were identified as a critical infrastructure sector by the Department of Homeland Security and pursuant to guidelines established by the President, the Defense Industrial Base workforce had a special responsibility to maintain their normal work schedules.²⁰ However, Marine Corps, Navy, and Air Force officials at all eight depots we reviewed characterized guidance during COVID-19 as coming from multiple sources, rapidly changing, or inconsistently applied. For example:

- Marine Corps, Navy, and Air Force officials said that depot-specific guidance was provided later than they would have liked to inform their response to a long-term crisis affecting the entire depot workforce, such as the COVID-19 pandemic. For example, Marine Corps depot leadership stated they were aware of the Under Secretary of Defense (Acquisition and Sustainment) memorandum of March 20, 2020 and distributed the memo to Marine Corps depot leadership on March 23, 2020—the same day Marine Corps depots reduced or paused operations to protect the workforce.
- Officials at FRC East and FRC Southeast told us many of their personnel were confused by guidance or unaware they were considered mission-essential. Some Navy and Air Force officials were aware of the March 20, 2020, memorandum, but interpreted it to protect the workforce, and adjusted work schedules to achieve scheduled maintenance as needed.

Depot officials at more than half the depots we reviewed stated civilian depot personnel did not initially understand the distinction between emergency-essential personnel expected to respond during natural disasters, and mission-essential personnel expected to continue to work during a public health emergency, such as COVID-19. During a natural disaster or adverse weather events all non-emergency essential/mission-critical personnel are often expected to remain away from the workplace. For example, Oklahoma City ALC and FRC East officials were familiar with recovering from short-term disruptions to operations, such as closures, due to having either guidance on responding to snow storms, tornadoes, or hurricanes. Officials also stated that personnel are accustomed to using Office of Personnel Management dismissal and

²⁰Under Secretary of Defense (Acquisition and Sustainment) Memorandum, *Defense Industrial Base Essential Critical Infrastructure Workforce* (March 20, 2020).

closure announcements for such short-term events.²¹ However, officials stated many depot personnel were not aware they were expected to report to work in response to COVID-19. For example, officials stated that civilian personnel at the Navy's FRC East were confused by guidance tailored to uniformed Marine Corps personnel and the use of an adapted hurricane response plan during the initial weeks of COVID-19.²²

Depot leadership made efforts to resolve confusion among personnel by consolidating information from multiple sources, leveraging social media, and using new and existing platforms to clarify authoritative guidance and reinforce personnel responsibilities, according to officials. Officials stated daily depot leadership meetings began by mid-March 2020, and some depots established new coordination forums to deconflict guidance coming from multiple sources, including DOD, the Centers for Disease Control and Prevention, health officials, and state and local government. To assist management with this effort, some depots formed COVID-19 response teams that included depot leadership, according to officials. For example, FRC East established a Response Management Center by the end of March 2020 to serve as a guidance clearinghouse and to respond to questions from employees. In addition, depot leadership made daily efforts to clarify guidance to resolve confusion during the first several weeks after the effects of COVID-19 began to affect depot operations in March 2020. For example, FRC Southeast officials stated that they shifted to weekly, bi-weekly, or as-needed updates as their response to the COVID-19 pandemic stabilized.

Maintain standards to ensure performance. We have previously reported on the need to improve performance measures and planning at

²¹The United States Office of Personnel Management provides agencies guidance on how to continue their important mission during emergency situations. *Weather and Safety Leave*, 5 C.F.R., pt. 630.

²²Specifically, FRC East is a Navy FRC located on a Marine Corps installation and employing mostly civilian personnel and officials stated that Navy guidance is tailored to uniformed military personnel. In addition, according to officials, the use of an adapted hurricane response plan confused personnel because the plan for natural disasters often requires personnel to stay away from work. As a result, some depot personnel did not understand the distinction between emergency-essential personnel, and their own status as mission-essential personnel.

DOD depots.²³ During reduced operations at Marine Corps depots in March and April of 2020, officials stated performance could not be evaluated for employees if they were not reporting for work. Otherwise, depot officials at Marine Corps, Navy, and Air Force depots stated they tracked their organizational performance using existing performance measures.

In order to ensure that organizational goals were communicated and employee performance was not diminished, depot management stated they changed the way expectations were communicated with supervisors and personnel depending on whether people were physically present or working remotely. In addition, depots took extra steps to prevent abuse of leave policies during COVID-19. For example, Oklahoma City ALC developed requirements to have their personnel stay in touch with their supervisor while on leave. The requirement was that personnel had to call their supervisor every Tuesday and Thursday to check in. At FRC Southwest, to meet productivity goals, depot officials stated that they postponed or cancelled classroom training, travel, and meetings for personnel to focus on direct operations. Supervisors at FRC Southeast stated they met twice weekly to monitor production and to ensure productivity.

According to DOD guidance, risk-reduction planning undertaken by DOD components and activities should include a detailed capability assessment to identify resources and capabilities to plan for, respond to, recover from, and mitigate the effects of hazardous or threatening incidents.²⁴ Further, DOD materiel maintenance programs should adopt business practices and quality management processes to continuously improve maintenance operations and production.²⁵ Emergency management plans should include clearly defined functional roles, responsibilities, and lines of authority for all personnel, organizations, and

²³See GAO, *Military Depots: Army and Marine Corps Need to Improve Efforts to Address Challenges in Measuring Performance and Planning Maintenance Work*, [GAO-20-401](#) (Washington, D.C.: July 16, 2020), and GAO, *Military Depots: The Navy Needs Improved Planning to Address Persistent Aircraft Maintenance Delays While Air Force Maintenance Has Generally Been Timely*, [GAO-20-390](#) (Washington, D.C.: June 23, 2020).

²⁴DOD Instruction 6055.17, *DOD Emergency Management (EM) Program* (Feb. 13, 2017) (incorporating Change 3, June 12, 2019).

²⁵DOD Directive 4151.18, *Maintenance of Military Materiel* (Mar. 31, 2004) (incorporating Change 1, Aug. 31, 2018).

agencies, as well as a communication plan through all phases of an emergency.

However, DOD has not developed guidance or a communication plan to ensure that depot management and civilian personnel are aware of their mission-essential status and the need to support readiness during a long-term crisis affecting the depot workforce prior to the COVID-19 pandemic. As a result, depot management improvised to support the workforce and continue operations, which resulted in some depots pausing or reducing operations, and others shifting schedules, rather than maintaining normal work schedules. Officials at more than half of the depots we visited agreed that having clear guidance in place, and communicating that guidance before the crisis occurred would have helped them continue operations and minimize confusion among the workforce. Unless sufficient guidance suitable to a long-term crisis impacting the depot workforce is developed and paired with a communication plan in advance of the crisis, the military services may be at risk of diminishing readiness during future crises impacting the depot workforce.

Marine Corps, Navy, and Air Force Depots Did Not Consistently Share Information or Record Lessons Learned during COVID-19 to Inform Future Crisis Response

Marine Corps, Navy, and Air Force depots we reviewed did not consistently share information or record lessons learned during COVID-19 to inform future crisis response, as shown in figure 9. The depots generally shared information within their own peer community, and sometimes developed innovative solutions to support operations, but the degree to which depots shared best practices during the response to COVID-19 was not consistent.

Figure 9: GAO’s Assessment of Depot Actions Related to Key Practices to Improve Crisis Response during and after the COVID-19 Pandemic

Key practice	Depot type and location								
	Marine Corps Production Plant		Navy Fleet Readiness Center			Air Force Air Logistics Complex			
	Albany	Barstow	East	Southeast	Southwest	Ogden	Oklahoma City	Warner Robins	
Improve ongoing crisis response	●	●	●	●	●	●	●	●	
Use lessons learned to inform future responses	○	○	●	●	●	●	●	●	

● Addressed ● Partially addressed ○ Not addressed

Source: GAO analysis of depot information. | GAO-21-103

Improve ongoing crisis response. We previously reported that the unprecedented outbreak of COVID-19 quickly spread around the globe.²⁶ Depot officials responded by adapting existing contingency plans to COVID-19. For example, Oklahoma City ALC and FRC East officials stated they were familiar with plans to recover from disruptions to operations or closures from severe weather events, and adapted those plans and exercises to COVID-19 to some extent. However, according to depot officials, existing contingency plans—including continuity of operations plans (COOPs)—and exercises for natural disasters were geared to short-term events and not well-suited to the COVID-19 pandemic. For example:

- Officials at FRC East stated many of their personnel were confused by the amount of guidance being issued from multiple sources at the beginning of their response to the COVID-19 pandemic.
- Officials at FRC Southeast told us that many of their personnel were accustomed to COOPs that required emergency-essential personnel to report to work, but required other personnel to remain at home. In addition, the COOPs and exercises were generally geared to hurricanes.
- Oklahoma City ALC officials conducted tabletop pandemic exercises and considered adapting existing pandemic response plans to COVID-19. Specifically, officials stated prior exercises did not involve all depot personnel and was not suited to COVID-19 as it required gathering all depot personnel together in one location at the same time to get vaccinated. This would prevent social distancing for COVID-19, which did not have a vaccination available during fiscal year 2020.
- Navy and Air Force depots told us pandemic exercises on bases that host depots generally involved only medical personnel, and focused on containment and mitigation for short-term crises involving chemical and biological hazards. As such, officials stated the exercises were not sufficient to prevent confusion regarding actions to be taken by personnel during a continuing pandemic.

We previously reported that depots share best practices and lessons learned through informal networking, such as personal contacts.²⁷ This continued to be true during COVID-19. We found that depot officials

²⁶[GAO-20-625](#).

²⁷[GAO-20-116](#).

shared information to improve the response to COVID-19 by contacting peers in working groups and using existing coordination mechanisms. For example:

- FRC Southeast tracked information on what they were doing on a weekly basis and coordinated aspects of their work with other FRCs.
- FRC Southeast worked with FRC Southwest to develop a tool to capture information on COVID-19 impacts and used a committee structure to make decisions and implement necessary changes. According to officials at Navy FRC Southeast, the changes supported by the new tool and meetings across FRCs to focus on changes to benefit the workforce helped minimize any adverse impact on production lines from COVID-19.
- Air Force officials stated that maintenance groups at the three Air Force ALC's did not have a formal forum for sharing COVID-19 best practices, but noted that some information was shared between the groups in their usual production meetings.

According to depot officials, they did not share best practices across depots being managed by other military services during the first few months of COVID-19. Depot officials said they reached out to other military services' depot officials to some extent later in the pandemic. For example, Navy officials at FRC Southeast told us that they contacted Corpus Christi Army Depot to discuss mitigation efforts for COVID-19 after restrictions related to COVID-19 were eased in the summer of 2020.

Despite their lack of plans and exercises to prepare for a long-term crisis affecting the depot workforce, depot officials stated they collaborated with medical personnel to cultivate an understanding of what was required to respond to COVID-19 cases at their locations and how to minimize the spread of COVID-19 through the use of contact tracing and contamination containment. According to officials, the changes they made to operations provided benefits with respect to personnel safety, and additional improvements to operations discovered during the response to COVID-19 may benefit routine operations moving forward. For example, the use of flexible schedules such as variable shifts and telework increased depot productivity for some systems or prevented further reductions to productivity from the COVID-19 pandemic.

Use lessons learned to inform future responses. Officials stated that they realized they needed to modify pandemic plans and contingency plans to incorporate what they had learned from responding to COVID-19.

While officials at all of the depots we reviewed have informally compiled lessons learned to some extent, they have not formally documented lessons learned, or revised existing contingency plans and crisis response exercises. For example:

- Marine Corps officials stated they documented some lessons learned, and know that incorporating them in planning documents would be beneficial to them.
- Navy FRC officials stated they discussed lessons learned during coordination forums across depots, but have not received guidance to record them formally and have not done so.
- Air Force ALC officials also informally noted lessons learned from COVID-19, and acknowledged they would like to adjust their COOP and pandemic response plans, and pandemic exercises, but have not yet done so.
- Marine Corps, Navy, and Air Force officials stated that new exercises suited to a crisis affecting the entire depot workforce would be useful.

We have previously reported that DOD depots can benefit from sharing best practices and lessons learned.²⁸ DOD and service-level guidance establishes policies for the collection, validation, and dissemination of lessons learned to support sustainment, among other goals.²⁹ DOD and military service instructions also support documenting lessons learned to inform crisis response.³⁰ For example, Navy and Air Force require lessons learned from COOP exercises to be documented and distributed as appropriate to allow modifications and updates to COOP plans. COOP planning should enable operational capability to continue with limited or no impact to mission execution, should an event or other disruption occur. In addition, COOP plans that reflect a large percentage of the workforce

²⁸[GAO-20-116](#).

²⁹Chairman of the Joint Chiefs of Staff Instruction 3150.25G, *Joint Lessons Learned Program* (Jan. 31, 2018); Office of the Chief of Naval Operations (OPNAV) Instruction, 3500.37D, *Navy Lessons Learned Program* (June 20, 2018); Marine Corps Order 3504.1, *Marine Corps Lessons Learned Program (MCLLP) and the Marine Corps Center for Lessons Learned (MCCLL)* (July 31, 2006); Air Force Instruction 10-1302, *Air Force Lessons Learned Program* (July 30, 2019).

³⁰DOD, *Civilian Human Capital Guide for Pandemic Planning* (September 2007); OPNAV Instruction 3030.5C, *Navy Continuity of Operations Program and Policy* (Apr. 22, 2019); and Air Force Instruction 10-208/Air Force Materiel Command Supplement, *Continuity of Operations (COOP) Program* (Feb. 21, 2020).

geographically dispersed and working remotely must be developed and exercised.

Despite these requirements, DOD has not ensured that lessons learned from COVID-19 impacting depot maintenance are recorded. In addition, the Marine Corps, Navy, and Air Force have not updated contingency plans specific to depots and developed exercises to support productivity during long-term crises that affect the depot workforce. Marine Corps, Navy, and Air Force depot leadership agree that incorporating lessons learned from the COVID-19 pandemic in depot-specific contingency plans would be helpful. Recording the lessons learned from COVID-19, and updating and exercising contingency plans incorporating those lessons learned, will help the depots be more capable of protecting the workforce and maintaining depot productivity.

Congress, Navy, and Air Force Actions Ensured the Working Capital Funds Remained Solvent, but DOD's Cash Management Policy Is Not in Published Regulations

Congressional and Management Actions Ensured the Navy and Air Force Working Capital Funds Remained Solvent for Fiscal Year 2020

Congress, DOD, Navy, and Air Force actions ensured the respective Navy and Air Force WCFs remained solvent for fiscal year 2020.³¹ For example, Congress passed the CARES Act in March 2020, which appropriated \$475 million to the Navy WCF and \$475 million to the Air Force WCF to prevent, position, prepare for, and respond to coronavirus.³² According to Navy and Air Force officials this helped to address WCF cash shortfalls.

³¹The Marine Corps Production Plants and Navy FRCs are operated using the Navy Working Capital Fund.

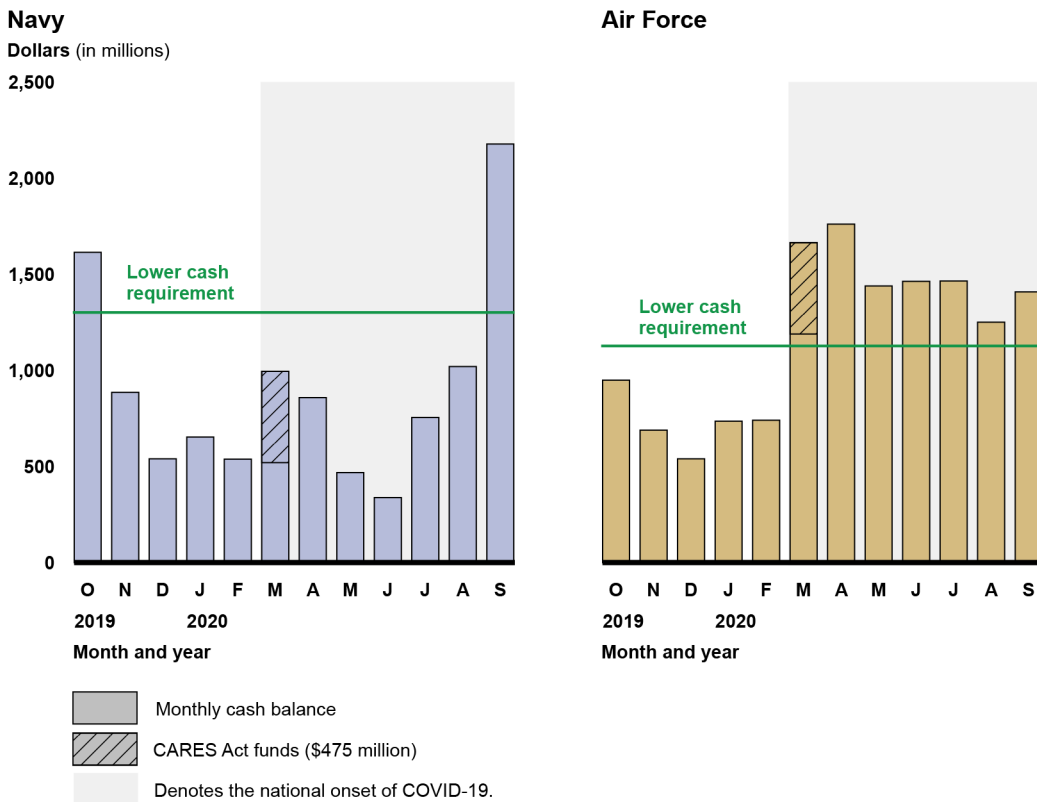
³²Pub. L. No. 116-136, div. B, title III, 134 Stat. 281, 520 (March 27, 2020).

DOD also implemented management actions to ensure that the WCFs cash balances would be above the minimum, or lower cash requirement. For example, in September 2020, DOD transferred a total of about a billion dollars into the Navy and Air Force WCFs from other DOD accounts.³³ The Navy and the Air Force also implemented other management actions discussed below to increase their respective monthly cash balances.

As a result of these actions, the Navy and Air Force WCFs monthly cash balances for the end of fiscal year 2020 increased above the lower cash requirement. These Navy and Air Force management actions also helped reduce the risk that the respective Navy and Air Force WCFs would become insolvent during fiscal year 2021. See figure 10 for details.

³³A transfer is the shifting of all or part of the budget authority in one appropriation account to another. Agencies may transfer budget authority only as specifically authorized by law. Pursuant to authority provided in the *Consolidated Appropriations Act, 2020*, \$1,334 million was transferred into the Air Force, Navy and Army WCFs from the following accounts: Defense Foreign Currency Fluctuations; Defense-wide WCF; Defense Health Program; and Army Reserve Operations and Maintenance. Pub. L. No. 116-93, division A, title VIII, § 8008 (Dec. 20, 2019).

Figure 10: Navy and Air Force Working Capital Fund Monthly Cash Balances for Fiscal Year 2020



Source: GAO analysis of Navy and Air Force Working Capital Funds cash data. | GAO-21-103

Note: DOD 7000.14-R, *Financial Management Regulation*, vol.2B, chap. 9 (July 2017 Draft) defines the minimum cash balance—known as the lower cash requirement—as the balance necessary to meet operating, capital investment, and other justified requirements throughout the year and to support continuing requirements into the subsequent year.

Navy Working Capital Fund Cash Balances for Fiscal Year 2020

The Navy WCF monthly cash balances were below the lower cash requirement 10 out of 12 months during fiscal year 2020—from November 2019 through August 2020, according to our analysis. In November 2019, the Navy WCF fell below the lower cash balance requirement for various reasons according to Navy officials and documentation. For example:

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- The Navy set prices too low to pay for \$937 million in unbudgeted costs in fiscal year 2020, such as cost of living increases.³⁴
 - Navy officials stated that an additional pay period in November 2019 reduced the monthly WCF cash balance by \$430 million.

In March 2020, the Navy WCF monthly cash balance increased after Congress passed the CARES Act which appropriated \$475 million to the Navy WCF to prevent, position, prepare for, and respond to COVID-19.³⁵ However, the balance remained below the lower monthly cash requirement through August 2020, in part, because the Navy performed less work than anticipated during COVID-19, resulting in decreased cash collections, according to Navy and depot officials. In addition, the Navy incurred unplanned expenses during COVID-19 such as personal protective equipment and additional computers to support increased use of telework, according to Navy and depot officials.

Navy WCF monthly cash balances improved during the last quarter of fiscal year 2020 as a result of about \$2.4 billion in management actions, and increased above the lower cash requirement in September 2020. Management actions included allowing WCFs to apply unbudgeted price increases (known as surcharges) requiring customers to pay about \$844 million to allow WCFs to recoup losses from work performed at depots and other Navy WCF activities.³⁶ According to Navy officials, this allowed them to bill Navy WCF customers at a higher rate for work completed to pay for unbudgeted costs in fiscal year 2020, such as cost of living increases. DOD also transferred \$731 million from other DOD accounts into the Navy WCF in September 2020 to increase cash balances.

³⁴Navy officials stated that Navy unplanned costs for fiscal year 2020 included approximately: (1) \$415 million for fiscal years 2019 and 2020 civilian pay increases for Navy WCF activities that were initially budgeted at zero percent increase per DOD direction; (2) \$167 million for increases in Federal Employees Retirement System costs; (3) \$27 million to accelerate the implementation of the Navy Enterprise Resource Planning system in fiscal year 2020; and (4) \$328 million to pay for unplanned costs associated with the transfer of the Facilities Engineering Command from the Navy WCF to mission funding.

³⁵Pub. L. No. 116-136, div. B, title III, 134 Stat. 281, 520 (March 27, 2020).

³⁶In March 2020, the Office of the Under Secretary of Defense (Comptroller) authorized the Navy Working Capital Fund activities to implement rate surcharges not to exceed \$877 million. See DOD, Office of the Under Secretary of Defense (Comptroller), *Request to Implement Fiscal Year (FY) 2020 Rate Surcharges* (March 12, 2020).

Navy officials stated that the Navy WCF cash flow position will remain a challenge in fiscal year 2021 due to the continued COVID-19 pandemic and other unbudgeted costs, such as cost of living increases that were not identified in time to increase fiscal year 2021 customer prices to pay for these costs. To address these challenges, Navy officials stated the Navy took several actions before the end of October 2020, including:

- Developing plans to reduce the overhead costs for Navy WCF activities by 2 percent during fiscal year 2021.
- Establishing a quarterly process for senior leaders to meet and to review how well depots and other working capital fund activities are completing work to generate revenue and implement mitigation strategies and cost reductions as necessary.³⁷

Even with these actions, the Navy WCF monthly cash balance fell below the lower cash requirement in December 2020.

Air Force Working Capital Fund Cash Balances for Fiscal Year 2020

The Air Force WCF monthly cash balances were below the lower cash requirement from October 2019 through February 2020—5 out of 12 months during fiscal year 2020. In March 2020, the CARES Act appropriated \$475 million to the Air Force WCF to prevent, position, prepare for, and respond to COVID-19.³⁸ The Air Force WCF cash balances are affected by Air Force depot and supply operations, as well as U.S. Transportation Command activities.³⁹

According to Air Force and U.S. Transportation Command officials and documentation, the Air Force WCF monthly cash balances were below the lower cash requirement during fiscal year 2020 for several reasons. For example:

³⁷Navy officials stated that the WCF Governance Board will be comprised of senior leaders from the Budget Submitting Offices and chaired by the Director, Department of Navy Budget/Fiscal Management Division.

³⁸Pub. L. No. 116-136, div. B, title III, 134 Stat. 281, 520 (March 27, 2020).

³⁹The Transportation WCF supports U.S. Transportation Command's mission to provide air, land, and sea transportation for DOD in times of peace and war, with a primary focus on wartime readiness. The Transportation WCF is also used to finance Air Force and joint training requirements. Although the Transportation WCF is managed on a day-to-day basis by U.S. Transportation Command, it is part of the Air Force WCF for cash management purposes.

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- The Air Force overestimated flying hours. This adversely affected Air Force WCF monthly cash balances because rates charged customers were inadvertently set too low to cover the costs of overhead, parts, and material to perform maintenance on customer aircraft in fiscal years 2019 and 2020.⁴⁰
 - The Air Force ordered more parts than needed to perform maintenance on customer aircraft as a result of the overestimation of flying hours.
 - U.S. Transportation Command was not able to support cash collections from customers for transportation services because system upgrades in the first half of fiscal year 2020 resulted in two financial systems not being operational for several months.

The COVID-19 pandemic reduced revenue of the Air Force WCF beginning in March 2020, according to Air Force officials. Officials also stated that the COVID-19 pandemic reduced flying hours and revenue while simultaneously increasing costs for some non-revenue generating activities, such as additional cleaning and personal protective equipment at the depots. However, the Air Force WCF monthly cash balances remained above the lower cash requirements from March through September 2020 because of CARES Act funding and management actions to increase cash balances.

Air Force officials stated that they processed approximately \$355 million in rate surcharges at Air Force WCF depot maintenance and supply activities in fiscal year 2020 to cover losses. These surcharges were paid for by customers to cover the costs not factored into the rates formulated prior to the beginning of fiscal year 2020. Furthermore, Air Force officials stated that the Air Force took action to reduce the amount of money it expects to spend for parts by over \$1.4 billion in fiscal years 2020 and 2021. In September 2020, the Air Force WCF received about \$281 million transferred from other DOD accounts to address the cash shortfall according to Air Force documentation.

⁴⁰Air Force supply activities and U.S. Transportation Command develop rates for activities used to conduct programmed flying training, which generally includes a required number of sorties, flying hours, and aircrew training to support readiness. Rates are generally developed approximately 18 months before they go into effect. For more on U.S. Transportation Command's management of rates see GAO, *Defense Logistics: DOD Needs to Improve Budget Estimates and Accuracy of Forecasts for Airlift Services*, [GAO-18-557](#) (Washington, D.C.: Sept. 4, 2018).

Air Force officials stated that the financial condition of the Air Force WCF should improve in fiscal year 2021 because the Air Force increased prices supporting its depot maintenance and supply activities for fiscal year 2021. For example, the Air Force increased the rates it charges its customers based on planned flying hours by an average of between 15 to 28 percent to cover costs for overhead, parts, and supplies.⁴¹ As a result, Air Force officials stated that they expect the monthly cash balance for fiscal year 2021 to remain above the lower cash requirement for the entire year.

The Navy and Air Force Use a DOD Working Capital Fund Cash Management Policy That Is Not Included in Published DOD Financial Management Regulation

According to the Office of the Under Secretary of Defense (Comptroller) officials, DOD has been managing WCF cash balances in accordance with the cash management policy in a draft DOD *Financial Management Regulation* (FMR) chapter since July 2015.⁴² However, DOD has not yet codified changes to the policy into the officially published chapter of the FMR. Specifically:

- DOD WCF cash management policy is included in the FMR volume 2B, chapter 9. This chapter was last formally amended in December 2014. At that time, DOD's cash management policy stated DOD WCFs will maintain the minimum cash necessary to meet both operational requirements and disbursement requirements in support of a working capital program.
- In July 2015, DOD updated its WCF cash management policy and revised volume 2B, chapter 9. The revised chapter, however, remained in draft form and was not formally published in the FMR.⁴³ According to DOD officials, the draft policy was adopted for use by WCF managers. The July 2015 draft policy instructed WCFs to

⁴¹To develop prices, the Air Force estimated labor, materials, overhead, and other costs based on anticipated demand for work as projected by customers. Air Force officials stated that maintenance costs per flying hour have increased since the onset of COVID-19.

⁴²DOD's *Financial Management Regulation* directs statutory and regulatory financial management requirements, systems, and functions for all appropriated and nonappropriated, working capital, revolving, and trust fund activities. It is comprised of 20 volumes, each of which contains multiple chapters. Generally, chapters are revised as necessary rather than whole volumes.

⁴³DOD revised its cash management policy in response to our recommendation that DOD update the FMR to include guidance on maintaining sufficient cash balances on a daily basis to avoid a potential Antideficiency Act violation. See GAO, *Air Force Working Capital Fund: Actions Needed to Manage Cash Balances to Required Levels*, [GAO-14-480](#) (Washington, D.C.: July 31, 2014).

maintain at least the minimum cash balance necessary to meet operating, capital investment, and other justified requirements throughout the year and to support continuing requirements into the subsequent year.

- In 2016 and 2017, DOD further revised the cash management policy as well as chapter 9. However, those changes also remained in draft form and were not published.

DOD Instruction 5025.01 states that DOD policies should be regularly maintained, reviewed annually, and revised, changed, or cancelled as appropriate.⁴⁴ The *Standards for Internal Controls in the Federal Government* states that management should implement control activities through policies.⁴⁵ Furthermore, management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. However, the Office of the Under Secretary of Defense (Comptroller) has not published the most recent DOD Working Capital Fund cash management policy in the DOD *Financial Management Regulation*.

According to DOD officials, DOD has not published FMR updates to the cash management policy since December 2014 due to turnover among Office of the Under Secretary of Defense (Comptroller) staff, vacancies in the position responsible for the working capital fund cash management policy, and delays processing changes through the DOD Office of General Counsel. However, DOD has had several opportunities to update the formal policy for WCF cash balances, and has published revisions to the FMR since 2014. For example, DOD updated and published various sections of the FMR every month in 2020, with changes affecting many separate volumes and chapters, according to our analysis. Publishing guidance enhances transparency regarding DOD WCF cash management to support Congressional and departmental oversight. Without published guidance, WCF managers may inconsistently apply DOD's cash management policy.

Conclusions

Pandemics like COVID-19 can threaten military readiness, especially if personnel are unable to access DOD depot facilities for weeks or months to repair and to maintain complex weapon systems and equipment. Prior

⁴⁴DOD Instruction 5025.01, *DOD Issuances Program* (Aug. 1, 2016) (incorporating Change 3, effective May 22, 2019).

⁴⁵[GAO-14-704G](#).

to COVID-19, the Navy, Marine Corps, and Air Force faced challenges maintaining productivity. Depot officials stated that the COVID-19 pandemic exacerbated these challenges including the availability of the workforce, and parts and materials.

Depot management and personnel at the eight depots in our review adapted work processes and policies in response to COVID-19, particularly in supporting the workforce at the depots. However, these depots struggled to maintain consistent operations—particularly during the first several weeks of their response to COVID-19. This was partially due to unclear communication about the status of mission-essential personnel and the need to support readiness during a long-term crisis. In addition, contingency and pandemic exercises in place prior to COVID-19 were not sufficient to prepare depots for a long-term crisis affecting the entire depot workforce. Further, while depots have begun some informal collection of lessons learned from COVID-19, they have not formally documented those lessons. Developing guidance and a communications plan to address long-term crises impacting the depot workforce before it occurs, formally documenting lessons learned from the current pandemic, and using lessons learned to develop exercises will better position the Marine Corps, Navy, and Air Force to protect the depot workforce and maintain depot productivity during a future pandemic or other crisis.

The COVID-19 pandemic also exacerbated pre-existing low cash balances in the Navy and Air Force WCFs. Congressional appropriations and DOD management actions helped address the low cash balances by the end of fiscal year 2020. However, DOD continues to manage these WCFs based, in part, on a draft cash management policy that is not formally documented. Publishing guidance enhances transparency regarding DOD WCF cash management to support congressional and departmental oversight, and increases the likelihood that WCF managers consistently apply DOD's cash management policy.

Recommendations for Executive Action

We are making nine recommendations, including three to the Secretary of Defense, two to the Commandant of the Marine Corps, two to the Secretary of the Navy, and two to the Secretary of the Air Force.

The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment develop guidance to ensure that depot management and civilian personnel are aware of their mission-essential status and the need to support readiness during a long-term crisis affecting the DOD depot workforce. (Recommendation 1)

The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment develop a communications plan to ensure that depot management and civilian personnel are aware of their mission-essential status and the need to support readiness during a long-term crisis affecting the depot workforce. (Recommendation 2)

The Commandant of the Marine Corps should ensure that the Marine Corps Maintenance Command formally record lessons learned in response to the COVID-19 pandemic, and use lessons learned to update depot-specific contingency plans. (Recommendation 3)

The Commandant of the Marine Corps should ensure that the Marine Corps Maintenance Command develop exercises for Marine Corps Production Plants to support productivity during any long-term crisis affecting the depot workforce. (Recommendation 4)

The Secretary of the Navy should ensure that Naval Air Systems Command and the Commander, Fleet Readiness Centers formally record lessons learned in response to the COVID-19 pandemic, and use lessons learned to update depot-specific contingency plans. (Recommendation 5)

The Secretary of the Navy should ensure that Naval Air Systems Command and the Commander, Fleet Readiness Centers develop exercises to support productivity during any long-term crisis affecting the depot workforce. (Recommendation 6)

The Secretary of the Air Force should ensure that Air Force Material Command and the Air Force Sustainment Center formally record lessons learned in response to the COVID-19 pandemic, and use lessons learned to update depot-specific contingency plans. (Recommendation 7)

The Secretary of the Air Force should ensure that Air Force Material Command and the Air Force Sustainment Center develop exercises to support productivity during any long-term crisis affecting the depot workforce. (Recommendation 8)

The Secretary of Defense should ensure that the Under Secretary of Defense (Comptroller) publish the most recent DOD Working Capital Fund cash management policy in the DOD *Financial Management Regulation*. (Recommendation 9)

Agency Comments

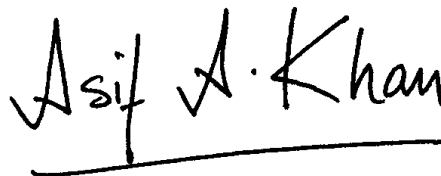
We provided a draft of this report to DOD for review and comment. In its written comments, reproduced in appendix III, DOD concurred with our recommendations and identified actions that it was taking or planned to take in response. DOD also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, the Commandant of the Marine Corps, the Acting Secretary of the Navy, and the Acting Secretary of the Air Force. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff has any questions about this report, please contact Diana Maurer at (202) 512-9627 or maurerd@gao.gov, or Asif A. Khan at (202) 512-9869, or khana@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff that made key contributions to this report are listed in appendix IV.



Diana Maurer
Director, Defense Capabilities and Management



Asif A. Khan
Director, Financial Management and Assurance

Congressional Committees

The Honorable Patrick Leahy
Chairman
The Honorable Richard Shelby
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Ron Wyden
Chairman
The Honorable Michael Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Patty Murray
Chair
The Honorable Richard Burr
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Gary C. Peters
Chair
The Honorable Rob Portman
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Rosa L. DeLauro
Chairwoman
The Honorable Kay Granger
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Frank Pallone, Jr.
Chair
The Honorable Cathy McMorris Rodgers
Republican Leader
Committee on Energy and Commerce
House of Representatives

The Honorable Bennie G. Thompson
Chair

The Honorable John Katko
Ranking Member
Committee on Homeland Security
House of Representatives

The Honorable Carolyn B. Maloney
Chairwoman

The Honorable James Comer
Ranking Member
Committee on Oversight and Reform
House of Representatives

The Honorable Richard Neal
Chair

The Honorable Kevin Brady
Republican Leader
Committee on Ways and Means
House of Representatives

The Honorable John Garamendi
Chairman

The Honorable Doug Lamborn
Ranking Member
Subcommittee on Readiness
Committee on Armed Services
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) describe how the Coronavirus Disease 2019 (COVID-19) pandemic impacted Marine Corps, Navy, and Air Force depots' productivity; (2) examine the extent to which depot actions in response to COVID-19 reflected key practices to support the workforce, continue operations, and improve crisis response; and (3) examine the extent to which Navy and Air Force Working Capital Fund (WCF) cash management policy ensured financial solvency and reflected current guidance.

In conducting this review, we focused on the eight depots that had operations financed through either the Navy or Air Force WCFs. In March 2020, both WCFs were appropriated \$475 million each through the CARES Act.¹ The depots are the Marine Corps' Production Plant Albany and Production Plant Barstow; the Navy's Fleet Readiness Center East, Fleet Readiness Center Southeast, and Fleet Readiness Center Southwest; the Air Force's Ogden Air Logistics Complex, Oklahoma City Air Logistics Complex, and Warner Robins Air Logistics Complex.

To describe how COVID-19 impacted Marine Corps, Navy, and Air Force depots' productivity, we obtained and analyzed information on measures of depot productivity, such as planned and actual revenues for fiscal year 2020, and information on other measures that can impact depot productivity, such as the number of hours of leave employees took during the fiscal year. We then discussed this information with Marine Corps, Navy, and Air Force officials. During our discussions we also focused on understanding how COVID-19 impacted depot productivity during fiscal year 2020 and what other factors, if any, may have also impacted depot productivity.



To examine the extent to which depot actions in response to COVID-19 reflected key practices to support the workforce, continue operations, and improve crisis response, we compared actions taken by depots against seven key practices and 30 supporting practices we identified as relevant to depot responses to COVID-19. To identify the key and supporting practices, we reviewed guidance to executive branch agencies, DOD instructions and memorandums, our prior reports, and *Standards for*

¹The Coronavirus Aid, Relief, and Economic Security (CARES) Act, Pub. L. No. 116-136, div. B, title III, 134 Stat. 281, 520 (March 27, 2020).

*Internal Control in the Federal Government.*² We summarized the seven key practices into three areas: support the workforce, continue operations, and improve crisis response, as shown in figure 11 below.

²We identified seven key practices applicable to DOD depot response to the COVID-19 pandemic from prior GAO products such as GAO, *Federal Workforce: Key Considerations for Agencies Returning Employees to Workplaces during Pandemics*, [GAO-20-650T](#) (Washington, D.C.: June 25, 2020); GAO, *Military Depots: DOD Can Benefit from Further Sharing of Best Practices and Lessons Learned*, [GAO-20-116](#) (Washington, D.C.: Jan. 30, 2020); and GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014). We then reviewed guidance to executive branch agencies and our prior products to identify 30 specific supporting practices; these documents included the Office of Management and Budget Memorandum, *Updated Guidance on Telework Flexibilities in Response to Coronavirus* (March 12, 2020); DOD documents, including DOD Instruction 6200.03, *Public Health Emergency Management (PHEM) Within The DOD* (March 28, 2019); DOD Instruction 1100.22, *Policies and Procedures for Determining Workforce Mix* (Apr. 12, 2010) (Incorporating Change 1 Dec. 1, 2017); and DOD Instruction 3020.42, *Defense Continuity Plan Development* (Feb. 17, 2006) (Certified current as of Apr. 27, 2011). We used the following seven principles from the *Standards for Internal Control in the Federal Government* as applicable: (1) Establish Structure, Responsibility, and Authority; (2) Demonstrate Commitment to Competence; (3) Identify, Analyze, and Respond to Risk; (4) Identify, Analyze, and Respond to Change; (5) Design Control Activity; (6) Design Activities for the Information System; and (7) Evaluate Issues and Remediate Deficiencies.

Figure 11: Key Practices to Support the Workforce, Continue Operations, and Improve Crisis Response during a Pandemic

 SUPPORT THE WORKFORCE	 CONTINUE OPERATIONS	 IMPROVE CRISIS RESPONSE
<p>Consider local conditions</p> <ul style="list-style-type: none"> Coordinated with local public health officials as appropriate Considered local conditions when making decisions affecting reporting requirements Considered headquarters priorities and received permission to adjust operations at the local level <p>Balance work duties with personal needs</p> <ul style="list-style-type: none"> Implemented policies that balanced employee work duties and personal responsibilities Ensured the decision process for balancing priorities was clear Consistently ensured a work balance against the interests of employees Maintained a productive and safe environment for on-site workers Proactively considered long-term effects on personnel and the operating environment <p>Provide sufficient information technology</p> <ul style="list-style-type: none"> Had a clear policy in place to support remote work Had a process to convert personnel to remote work stations Considered availability and use of information technology resources in response to the pandemic and adjusted according to needs 	<p>Identify mission-essential personnel</p> <ul style="list-style-type: none"> Performed analysis to identify critical roles Identified mission-essential personnel that could not complete work responsibilities remotely Ensured personnel were informed of mission-essential status and work requirements <p>Maintain standards to ensure performance</p> <ul style="list-style-type: none"> Communicated organizational goals and progress Ensured organizational and employee performance were not diminished Maintained awareness of output metrics Prevented abuse of remote work Prevented abuse of liberal leave policies 	<p>Improve ongoing crisis response</p> <ul style="list-style-type: none"> Coordinated with peer depots Implemented innovative solutions to support operations Shared best practices and corrective actions within the depot Shared best practices and corrective actions with other depots Participated in interagency coordination <p>Use lessons learned to inform future response</p> <ul style="list-style-type: none"> Had a pandemic policy in place Documented impacts of crisis on operations and safety Recorded information about throughput and production factors during the crisis response Recorded lessons learned about the depot response to the pandemic Adapted benefits from crisis response to routine operations Adapted lessons learned from the crisis response in planning documents

Source: GAO analysis of prior GAO Reports and DOD information. | GAO-21-103

We evaluated how Marine Corps, Navy, and Air Force depots responded to COVID-19 by comparing depot management actions to the 30 supporting practices we identified. We reviewed documents related to depot responses to COVID-19, and interviewed Marine Corps, Navy, and Air Force depot officials. Specifically, we used a scorecard methodology to determine the extent to which each of the depots addressed, partially addressed, or did not address the seven key practices based on the extent to which the depots took actions to address the 30 supporting practices.³ To identify the actions, we reviewed documents related to

³Each of the seven key practices was scored based on the evidence available at the time of our site visits according to the following criteria: “Addressed” was defined as having addressed most, but not necessarily all of the supporting practices; “Partially addressed” was defined as having addressed some but not more than half of the supporting practices; and “Not addressed” was defined as not having addressed any of the supporting practices.

depot responses to COVID-19, and interviewed Marine Corps, Navy, and Air Force depot officials during site visits conducted in August and September 2020. Independent analysts reviewed interviews and documents and assigned a score of partially addressed if the depot being evaluated generally addressed some—but not all—aspects of respective supporting practice with consideration of both testimonial and documentary evidence. Each analyst independently conducted their analysis and scored accordingly. Analysts then met to review their findings and scores and agreed upon a final score based on their collective efforts. A third analyst resolved any disagreements. We also asked Marine Corps, Navy, and Air Force officials about their responses and requested additional documentation and clarification as appropriate. The results of our analysis were based on an assessment of information provided during the course of our review, with an emphasis on depot actions in the earlier weeks of the pandemic. While not generalizable to all DOD depots, working capital fund activities, or federal agencies, the information we obtained from Marine Corps, Navy, and Air Force depots provided insight about the actions taken in response to COVID-19. We reviewed the results of our analysis with the military services and incorporated technical comments as appropriate.

To examine the extent to which Navy and Air Force Working Capital Fund cash management ensured financial solvency and reflected current policy in guidance, we compared Navy and Air Force Working Capital Fund monthly cash balances for fiscal year 2020 to the respective Navy and Air Force cash requirements. More specifically, we (1) obtained Navy and Air Force Working Capital Fund monthly cash balances for fiscal year 2020 from the official month-end cash balances recorded at the Department of Treasury; (2) obtained Navy and Air Force Working Capital Fund lower cash requirements for fiscal year 2020 from the respective Navy and Air Force budget materials; and (3) compared the lower cash requirements to the Navy and Air Force Working Capital Fund month-end cash balances. If the cash balances were below the lower cash requirement amounts, we met with Navy, Air Force, and Transportation Command officials and reviewed Navy and Air Force Working Capital Fund budgets and other documentation to ascertain the reasons. Further, we met with these officials and reviewed documentation on congressional and management actions taken to ensure that the Navy and Air Force Working Capital Fund monthly cash balances remained solvent in fiscal year 2020. In addition, we discussed and reviewed documentation on the potential solvency of the Navy and Air Force Working Capital Fund for fiscal year 2021 based on the congressional and management actions taken in fiscal year 2020. We also reviewed guidance contained in DOD's *Financial Management*

Regulation to determine DOD's cash management policy from December 2014 through September 2020.⁴ If DOD made changes to DOD's cash management policy that were not included in the published guidance, we met with DOD officials and reviewed documentation to determine the reasons and whether these types of changes were documented in DOD's *Financial Management Regulation* on a routine basis.

We also reviewed DOD instructions, and *Standards for Internal Controls in the Federal Government* to identify guidance for documenting its policies.⁵ We determined that the control activities component of internal control was significant to this objective, along with the related principle that management should implement control activities through policies. We compared DOD cash management policy included in DOD's *Financial Management Regulation* to selected DOD guidance and relevant internal control standards. Specifically, we determined whether DOD's cash management policy contained in DOD's *Financial Management Regulation* from December 2014 through September 2020 were regularly maintained, reviewed annually, and revised, changed, or cancelled as appropriate.⁶ We also assessed whether these policies complied with *Standards for Internal Controls in the Federal Government* that states management should implement control activities through policies.⁷

We conducted data reliability assessments on the data provided by each of the military services to address our objectives including depot productivity data, depot maintenance data, and Navy WCF and Air Force WCF cash balance data. To determine whether depot productivity data was reliable, we reviewed planned and actual revenue and labor data provided by the depots and interviewed Marine Corps, Navy, and Air Force depots about the completeness and accuracy of their data, any known limitations, and whether there are any purposes for which their data should not be used. To determine whether Navy WCF and Air Force WCF cash balance data were sufficiently reliable, we reviewed our prior

⁴DOD 7000.14-R, *Financial Management Regulation*, vol. 2B, chap. 9, §090103(A) (Dec. 2014).

⁵See, for example, DOD Instruction 5025.01, *DOD Issuances Program* (Aug. 1, 2016) (incorporating Change 3, May 22, 2019). GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

⁶DOD Instruction 5025.01, *DOD Issuances Program* (Aug. 1, 2016) (incorporating Change 3, effective May 22, 2019).

⁷[GAO-14-704G](#).

related reports and DOD Inspector General reports, if any, to determine if any material weaknesses were reported for Navy WCF and Air Force WCF monthly cash balances; interviewed knowledgeable Navy and Air Force officials; and compared cash balance information reported by the military services with official Treasury records. Because the information provided for our review was limited to fiscal year 2020, we also reviewed recent, relevant data reliability assessments prepared for our prior reports related to depot maintenance.⁸ Based on these efforts, we determined that the data were sufficiently reliable for the purposes described above.

To support our analysis on each of our objectives, we interviewed officials from the following organizations:

Office of the Secretary of Defense

- Office of the Under Secretary of Defense for Acquisition and Sustainment
- Office of the Under Secretary of Defense (Comptroller)
- Office of the Deputy Assistant Secretary of Defense for Materiel Readiness

Marine Corps

- Marine Corps Logistics Command
- Marine Depot Maintenance Command
- Marine Corps Logistics Base Albany
- Marine Corps Production Plant Albany
- Marine Corps Logistics Base Barstow
- Marine Corps Production Plant Barstow

⁸GAO, *Military Depots: The Navy Needs Improved Planning to Address Persistent Aircraft Maintenance Delays While Air Force Maintenance Has Generally Been Timely*, [GAO-20-390](#) (Washington, D.C.: June 23, 2020); and GAO, *Depot Maintenance: DOD Should Adopt a Metric That Provides Quality Information on Funded Unfinished Work*, [GAO-19-452](#) (Washington, D.C.: July 26, 2019).

Navy

- Headquarters, Department of the Navy
- Command, Fleet Readiness Centers
- Naval Air Systems Command
- Fleet Readiness Center East
- Fleet Readiness Center Southeast
- Fleet Readiness Center Southwest

Air Force

- Headquarters, Department of the Air Force
- Air Force Materiel Command
- Air Force Sustainment Center
- Air Force Air Logistics Complex Ogden
- Air Force Air Logistics Complex Oklahoma City
- Air Force Air Logistics Complex Warner Robins

United States Transportation Command

- Headquarters, United States Transportation Command

We conducted this performance audit from June 2020 through April 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: DOD Working Capital Funds Support of Depot Maintenance Activities and Applicable Cash Management Policy

Navy and Air Force Working Capital Funds Used for Depot Maintenance Activities

Department of Defense (DOD) uses working capital funds to procure and provide certain materiel and commercial products and services to its forces. A working capital fund (WCF) is a type of revolving fund account that finances the operations of self-supporting entities (the depots) conducting a regular cycle of businesslike activities, such as acquiring parts and supplies, equipment maintenance, weapon system sustainment, transporting personnel and equipment, research and development and natural disaster relief. To control and account more effectively for the cost of programs and work performed, the Secretary of Defense may establish working capital funds to finance inventories of designated supplies and provide working capital for industrial- and commercial-type activities that provide common services within or among DOD components. DOD WCFs are authorized under 10 U.S.C. § 2208 and their amounts are generally available until expended.

The Marine Corps Production Plants and Navy and Air Force aviation depots, operate through the Navy and Air Force WCFs.¹ Depot customers are charged for the full cost of goods and services provided. Unlike businesses, WCFs are intended to operate on a break-even basis, neither incurring gains nor losses over time although they may realize gains or losses within each fiscal year. DOD's current cash management policy requires the WCFs to maintain a positive cash balance necessary to meet operating, capital investment, and other justified requirements throughout the fiscal year and to support continuing requirements into the subsequent fiscal year. The ability of WCF-supported activities to maintain WCF cash flow consistent with DOD's cash management policy depends on accurately (1) projecting workload, (2) estimating costs, and (3) setting rates to recover the full costs of provided goods and services, which include costs associated with materials, overhead, and operations. Budget formulation for a particular fiscal year begins approximately 18 months prior to the beginning of that fiscal year. As part of the annual budget submission for each upcoming fiscal year, depot maintenance rates are required to be established at levels estimated to recover the budgeted costs of goods and services, including all general and

¹The Navy and Air Force working capital funds contribute to readiness through the depots' ability to sustain the Marine Corps, Navy, and Air Force's organically maintained weapon systems and manage critical assets within the supply chain. In support of the Marine Corps, Navy, and Air Force's core functions, the Navy and Air Force working capital funds provide the maintenance divisions of the Marine Corps' production plants and Navy and Air Force's depots with continuous base-support services, utilities, and the in-house industrial capability to repair and overhaul a wide range of weapon systems (e.g., aircraft) and military equipment.

administrative overhead costs, prior period gains and losses, and applicable surcharges.² Predetermined or “stabilized” rates developed during the budget process are applied to orders received from customers during the fiscal year. Stabilized prices provide depot customers with protection during the fiscal year from prices greater than those assumed as part of their own budget formulation process. Because both WCF-supported depot activities and their DOD customers concurrently formulate their fiscal year budgets, the same cost and rate assumptions are used by both.

Title 10, Section 2464 of the United States Code requires DOD to maintain a critical logistics capability that is government-owned and operated to support an effective and timely response for mobilization, national defense contingency situations, and other emergency requirements. Maintaining this capability provides a ready and controlled source of technical competence and resources to enable effective and timely response to mobilizations, contingencies, or other emergencies. Additionally, DOD must assign these government-owned and operated industrial installations/facilities (the depots) sufficient workload to ensure cost efficiency and technical competence during peacetime, while preserving the surge capacity and reconstitution capabilities necessary to fully support the strategic and contingency plans prepared by the Chairman of the Joint Chiefs of Staff.³

DOD Working Capital Fund Cash Management Policy

DOD’s cash management policy requires the WCFs to maintain a positive cash balance necessary to meet operating, capital investment, and other justified requirements throughout the year and to support continuing requirements into the subsequent year.⁴ In setting upper and lower cash requirements, DOD officials responsible for managing WCFs are to consider the following four elements:

- **Rate of disbursement.** The average amount disbursed between collection cycles calculated by dividing the total planned

²In March 2018, the Office of the Under Secretary of Defense (Comptroller) provided budget development guidance to military service WCF managers for fiscal years 2020 through 2024. The Office of the Under Secretary of Defense (Comptroller) also provided updated guidance to military service WCF managers for their respective fiscal year 2019 budgets, the development of which was nearly complete.

³DOD Instruction 4151.20, *Depot Maintenance Core Capabilities Determination Process* (May 4, 2018).

⁴DOD 7000.14-R, *Financial Management Regulation*, vol.2B, chap. 9, § 090103(A)(1) (July 2017 Draft).

disbursements planned by the number of collection cycles planned for the year to determine the average amount of cash needed.

- **Range of operation.** The difference between the highest and lowest expected cash levels based on assumptions and past experience. Cash balance volatility can result from annual, quarterly, and more frequent seasonal trends and significant onetime events.
- **Risk mitigation.** Additional cash may be required to mitigate the inherent risk of unplanned and uncontrollable events, including budget estimation errors, commodity price fluctuations, and crisis response.
- **Reserves.** Cash reserves are funds held for known future requirements to provide for specific requirements that are not expected to disburse until subsequent fiscal years.

Higher-than-expected costs or lower-than-expected customer sales can result in lower cash balances. If projections of cash disbursements and collections indicate that cash balances will drop below the lower cash requirement, the WCF may need to generate additional cash. DOD regulations provide cash managers with options to generate cash such as out-of-cycle rate adjustments, surcharges, and reprogramming actions.

Appendix III: Comments from the Department of Defense



SUSTAINMENT

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

03/24/2021

Ms. Diana Maurer
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Maurer:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-21-103, "DEPOT MAINTENANCE: DOD Should Improve Pandemic Plans and Publish Working Capital Fund Policy," dated February 18, 2021 (GAO Code 104408). Detailed comments on the Report's recommendations are enclosed.

Sincerely,

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Date: 2021.03.24 11:45:24
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Paul D. Cramer
Performing the Duties of Assistant Secretary of
Defense for Sustainment

Enclosure:
As stated

GAO DRAFT REPORT DATED FEBRUARY 18, 2021
GAO-21-103 (GAO CODE 104408)

“DEPOT MAINTENANCE: DOD SHOULD IMPROVE PANDEMIC PLANS AND
PUBLISH WORKING CAPITAL FUND POLICY”

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION

RECOMMENDATION 1: The Government Accountability Office (GAO) recommends that the Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment develop guidance to ensure that depot management and civilian personnel are aware of their mission essential status and the need to support readiness during a long-term crisis affecting the Department of Defense (DoD) depot workforce.

DoD RESPONSE: Concur with recommendation. The Under Secretary of Defense for Acquisition and Sustainment will develop guidance to ensure that depot management and civilian personnel are aware of their mission essential status and the need to support readiness during a long-term crisis.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment develop a communications plan to ensure that depot management and civilian personnel are aware of their mission essential status and the need to support readiness during a long-term crisis affecting the depot workforce.

DoD RESPONSE: Concur with recommendation. The Under Secretary of Defense for Acquisition and Sustainment will develop a communication plan to ensure that depot management and civilian personnel are aware of their mission essential status and the need to support readiness during a long-term crisis.

RECOMMENDATION 3: The GAO recommends that the Commandant of the Marine Corps should ensure that the Marine Corps Maintenance Command formally record lessons learned in response to the COVID-19 pandemic, and use lessons learned to update depot-specific contingency plans.

DoD RESPONSE: Concur with recommendation. The Secretary of the Navy and Commandant of the Marine Corps will ensure that the Marine Corps Maintenance Command formally records lessons learned in response to the coronavirus disease 2019 (COVID-19) pandemic and updates lessons learned to depot-specific contingency plans.

RECOMMENDATION 4: The GAO recommends that the Commandant of the Marine Corps should ensure that the Marine Corps Maintenance Command develop exercises for Marine Corps Production Plants to support productivity during any long-term crisis affecting the depot workforce.

DoD RESPONSE: Concur with recommendation. The Secretary of the Navy and Commandant of the Marine Corps will ensure that the Marine Corps Maintenance Command develops exercises for Marine Corps Production Plants to support productivity during any long-term crisis that affects the depot workforce.

RECOMMENDATION 5: The GAO recommends that the Secretary of the Navy should ensure that Naval Air Systems Command and the Commander, Fleet Readiness Centers formally record lessons learned in response to the COVID-19 pandemic, and use lessons learned to update depot-specific contingency plans.

DoD RESPONSE: Concur with recommendation. The Secretary of the Navy and Chief of Naval Operations will ensure that Naval Air Systems Command and the Commander, Fleet Readiness Centers, formally record lessons learned in response to the COVID-19 pandemic and use lessons learned to update depot-specific contingency plans.

RECOMMENDATION 6: The GAO recommends that the Secretary of the Navy should ensure that Naval Air Systems Command and the Commander, Fleet Readiness Centers develop exercises to support productivity during any long-term crisis affecting the depot workforce.

DoD RESPONSE: Concur with recommendation. The Secretary of the Navy and Chief of Naval Operations will ensure that Naval Air Systems Command and the Commander, Fleet Readiness Centers, develop exercises to support productivity during any long-term crisis that affects the depot workforce.

RECOMMENDATION 7: The GAO recommends that the Secretary of the Air Force should ensure that Air Force Material Command and the Air Force Sustainment Center formally record lessons learned in response to the COVID-19 pandemic, and use lessons learned to update depot-specific contingency plans.

DoD RESPONSE: Concur with recommendation. The Secretary of the Air Force will ensure that the Air Force Material Command and the Air Force Sustainment Center formally record lessons learned in response to the COVID-19 pandemic and use lessons learned to update depot-specific contingency plans.

RECOMMENDATION 8: The GAO recommends that the Secretary of the Air Force should ensure that Air Force Material Command and the Air Force Sustainment Center develop exercises to support productivity during any long-term crisis affecting the depot workforce.

DoD RESPONSE: Concur with recommendation. The Secretary of the Air Force will ensure that the Air Force Material Command and the Air Force Sustainment Center develop exercises to support productivity during any long-term crisis affecting the depot workforce.

RECOMMENDATION 9: The GAO recommends that the Secretary of Defense should ensure that the Under Secretary of Defense (Comptroller) publish the most recent DoD Working Capital Fund cash management policy in the DoD Financial Management Regulation.

DoD RESPONSE: Concur with recommendation. The Under Secretary of Defense (Comptroller) anticipates issuing a cash management policy by April 2021, and updating the DoD Financial Management Regulation no later than December 2021.

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contacts

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