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United States Government Accountability Office  
Washington, DC 20548

December 15, 2008

Congressional Committees

Subject: *Global War on Terrorism: Reported Obligations for the Department of Defense*

Since 2001, Congress has provided the Department of Defense (DOD) with about \$808 billion in supplemental and annual appropriations, as of September 2008, primarily for military operations in support of the Global War on Terrorism (GWOT).<sup>1</sup> DOD's reported annual obligations<sup>2</sup> for GWOT have shown a steady increase from about \$0.2 billion in fiscal year 2001 to about \$162.4 billion in fiscal year 2008. The United States' commitments to GWOT will likely involve the continued investment of significant resources, requiring decision makers to consider difficult trade-offs as the nation faces an increasing fiscal challenge. The magnitude of future costs will depend on several direct and indirect cost variables and, in some cases, decisions that have not yet been made. DOD's future costs will likely be affected by the pace and duration of operations, the types of facilities needed to support troops overseas, redeployment plans, and the amount of equipment to be repaired or replaced.<sup>3</sup>

DOD compiles and reports monthly and cumulative incremental obligations incurred to support GWOT in a monthly *Supplemental and Cost of War Execution Report*. DOD leadership uses this report, along with other information, to advise Congress on the costs of the war and to formulate future GWOT budget requests. DOD reports these obligations by appropriation, contingency operation,<sup>4</sup> and military service or defense agency. The monthly cost reports are typically compiled within the 45 days after the end of the reporting month in which the obligations are incurred.<sup>5</sup> DOD has prepared monthly reports on the obligations incurred for its involvement in GWOT since fiscal year 2001.

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<sup>1</sup>After the terrorist attacks of September 11, 2001, the President announced a Global War on Terrorism, requiring the collective instruments of the entire federal government to counter the threat of terrorism. Ongoing military and diplomatic operations overseas, especially in Iraq and Afghanistan, constitute a key part of GWOT. These operations involve a wide variety of activities, such as combating insurgents, training the military forces of other nations, and conducting small-scale reconstruction and humanitarian relief projects.

<sup>2</sup>According to Department of Defense, *Financial Management Regulation*, 7000.14-R, vol. 1, "Definitions" (Dec. 2001), xvii, obligations are incurred through actions such as orders placed, contracts awarded, services received, or similar transactions made by federal agencies during a given period that will require payments during the same or a future period.

<sup>3</sup>For more information see GAO, *Securing, Stabilizing, and Rebuilding Iraq: Key Issues for Congressional Oversight*, GAO-07-308SP (Washington, D.C.: Jan. 9, 2007), and *Global War on Terrorism: Observations on Funding, Costs, and Future Commitments*, GAO-06-885T (Washington, D.C.: July 18, 2006).

<sup>4</sup>DOD defines contingency operations to include small, medium, and large-scale campaign-level military operations, including support for peacekeeping operations, major humanitarian assistance efforts, noncombatant evacuation operations, and international disaster relief efforts.

<sup>5</sup>Department of Defense, *Financial Management Regulation*, 7000.14-R, vol. 12, ch. 23. This regulation generally establishes financial policy and procedures related to DOD contingency operations. Volume 6A, chapter 2, and volume 3, chapter 8, of the DOD *Financial Management Regulation* also include provisions to ensure the accuracy of cost reporting.

Section 1221 of the National Defense Authorization Act for Fiscal Year 2006<sup>6</sup> requires us to submit quarterly updates to Congress on the costs of Operation Iraqi Freedom and Operation Enduring Freedom based on DOD's monthly *Supplemental and Cost of War Execution Reports*. This report, which responds to this requirement, contains our analysis of DOD's reported obligations for military operations in support of GWOT through September 2008. Specifically, we assessed (1) DOD's cumulative appropriations and reported obligations for military operations in support of GWOT and (2) DOD's fiscal year 2008 reported obligations, the latest data available for GWOT by military service and appropriation account.

Over the years, we have conducted a series of reviews examining funding and reported obligations for military operations in support of GWOT. Our prior work<sup>7</sup> has found the data in DOD's monthly *Supplemental and Cost of War Execution Report* to be of questionable reliability. Consequently, we are unable to ensure that DOD's reported obligations for GWOT are complete, reliable, and accurate, and they therefore should be considered approximations. Based on this work, we have made a number of recommendations to the Secretary of Defense intended to improve the transparency and reliability of DOD's GWOT obligations. For example we have recommended that DOD (1) revise the cost reporting guidance so that large amounts of reported obligations are not shown in "other" miscellaneous categories and (2) take steps to ensure that reported GWOT obligations are reliable. In response, DOD is taking steps to improve GWOT cost reporting. For example, DOD has modified its guidance to more clearly define some of the cost categories and is taking additional steps to strengthen the oversight and program management of the cost reporting. Specifically, DOD has taken steps to improve transparency by requiring components to analyze variances in reported obligations and to disclose reasons for significant changes, and to affirm that monthly reported GWOT obligations provide a fair representation of ongoing activities. Furthermore, in February 2007, DOD established a Senior Steering Group including representatives from DOD, the Defense Finance and Accounting Service (DFAS), and the military services in an effort to standardize and improve the GWOT cost-reporting process and to increase management attention to the process. DOD established a GWOT Cost-of-War Project Management Office to monitor work performed by auditing agencies and to report possible solutions and improvements to the Senior Steering Group. DOD has started several initiatives to improve credibility, transparency, and timeliness. One of the initiatives is a quarterly validation of GWOT obligation transactions at each of the DOD components with the goal of having a sampling of all types of costs in fiscal year 2008. Until all DOD efforts are more fully implemented, it is too soon to know the extent to which these changes will improve the reliability of DOD's cost reporting.

While establishing sound cost reporting procedures and oversight is clearly important, the reliability of the cost-of-war reports also depends on the quality of DOD's accounting data. Factors contributing to DOD's challenges in reporting reliable cost data include long-

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<sup>6</sup>Pub. L. No. 109-163, § 1221(c) (2006).

<sup>7</sup>For more information see GAO, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, GAO-05-882 (Washington, D.C.: Sept. 21, 2005), and *Global War on Terrorism: DOD Needs to Take Action to Encourage Fiscal Discipline and Optimize the Use of Tools Intended to Improve GWOT Cost Reporting*, GAO-08-68 (Washington, D.C.: Nov. 6, 2007).

standing deficiencies in DOD's financial management systems. We are aware that DOD has efforts under way to improve these systems as well.

We have also made recommendations to improve transparency and fiscal responsibility related to funding the war on terrorism, and to permit Congress and the administration to establish priorities and make trade-offs among those priorities in defense funding. Specifically, we recommended that DOD (1) issue guidance defining what constitutes the "longer war against terror," identify what costs are related to that longer war, and build these costs into the base defense budget; (2) identify incremental costs of the ongoing GWOT operations that can be moved into the base budget; and (3) in consultation with the Office of Management and Budget, consider limiting emergency funding requests to truly unforeseen or sudden events.<sup>8</sup> We will continue to review DOD's efforts to implement these recommendations as part of our follow-up work on GWOT.

### **Scope and Methodology**

To conduct our work, we analyzed applicable annual and supplemental appropriations from fiscal year 2001 through fiscal year 2008, the latest GWOT appropriations provided, as well as DOD's appropriation allocation documents. We also analyzed DOD's monthly *Supplemental and Cost of War Execution Reports* from September 2001 through September 2008, the latest data available. Specifically, we identified appropriated amounts primarily intended for GWOT and reported GWOT obligations for each operation, military service, and appropriation account.

We are continuing to review DOD's fiscal year 2008 funding and reported obligations, including the reliability of the reported obligations. We plan to report on this work in March 2009.

We conducted this performance audit from November 2008 to December 2008 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.

### **Summary**

As of September 2008, Congress has appropriated a total of about \$808 billion primarily for GWOT operations since 2001. Of that amount, about \$187 billion has been provided for fiscal year 2008. In addition, about \$65.9 billion was appropriated in fiscal year 2008 for fiscal year 2009 but was not available for obligation in fiscal year 2008. DOD will likely request additional funds for fiscal year 2009. DOD has reported obligations of about \$654.7 billion for military operations in support of the war from fiscal year 2001 through fiscal year 2008. The \$152.2 billion difference<sup>9</sup> between DOD's appropriations and reported obligations can generally be attributed to multiyear funding for procurement; military construction; and

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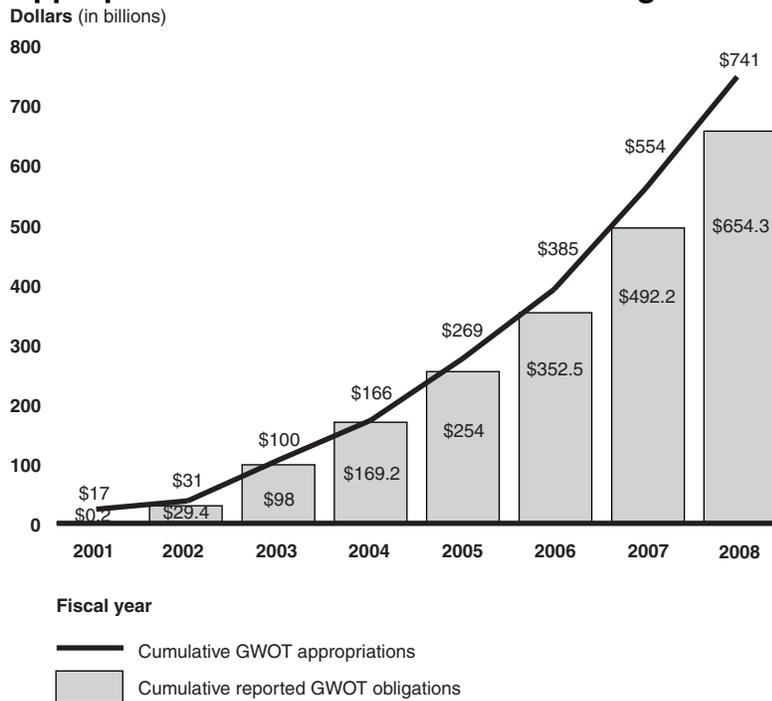
<sup>8</sup>GAO-08-68.

<sup>9</sup>We calculated this difference by comparing available data on appropriations and reported obligations.

research, development, test, and evaluation from previous GWOT-related appropriations<sup>10</sup> that have yet to be obligated; and obligations for non-DOD classified and other activities, which DOD considers to be non-GWOT related, that are not reported in DOD's cost-of-war reports.<sup>11</sup> This difference also includes the \$65.9 billion appropriated for fiscal year 2009. As part of our ongoing work, we are reviewing DOD's rationale for reporting its GWOT related obligations.

Figure 1 shows the increase in DOD's cumulative reported GWOT obligations and cumulative GWOT appropriations from fiscal year 2001 through fiscal year 2008. The appropriations amount does not include the fiscal year 2009 appropriation of \$65.9 billion.

**Figure 1: DOD's Cumulative Reported GWOT Obligations and Cumulative GWOT Appropriations for Fiscal Year 2001 through Fiscal Year 2008**



Source: GAO analysis of DOD and appropriations data.

Notes: Appropriations amounts reflect totals provided in supplemental and annual appropriations legislation. Reported GWOT obligations include Operation Noble Eagle, Operation Enduring Freedom, and Operation Iraqi Freedom, and generally reflect costs reported in DOD's cost-of-war reports. However, the fiscal year 2002 and 2003 figures include about \$20.1 billion that according to DOD officials was war related but not reported in DOD's cost-of-war reports. GAO has assessed the reliability of DOD's obligation data and found significant problems, such that these data may not accurately reflect the true dollar value of GWOT obligations.

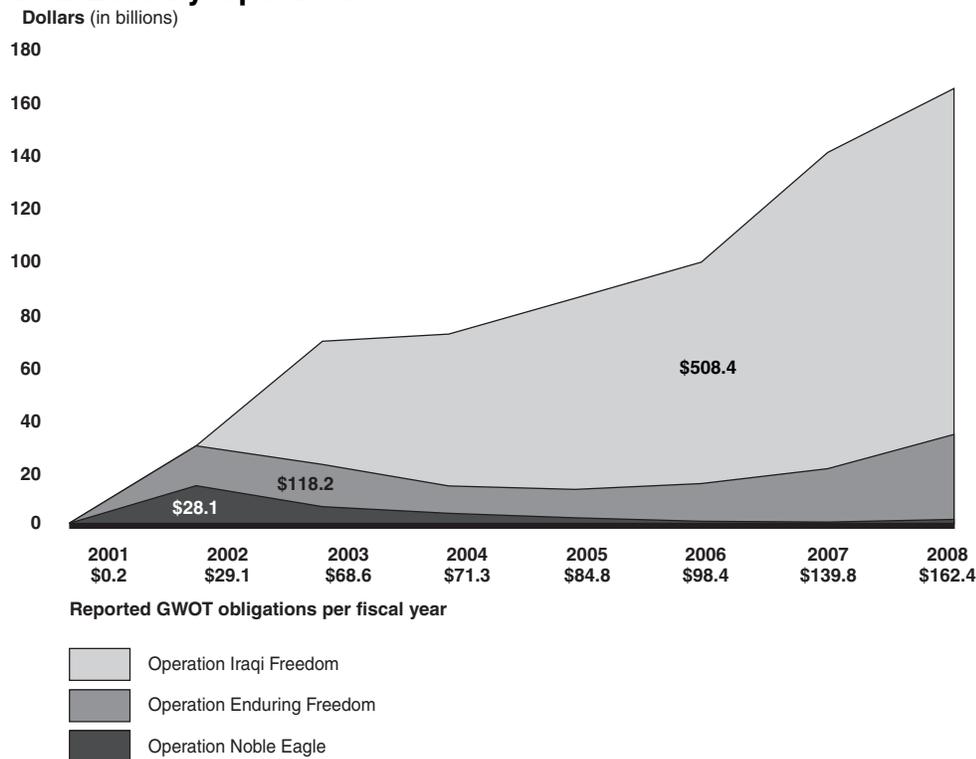
Of DOD's total cumulative reported obligations for GWOT for fiscal year 2008 (about \$654.7 billion), about \$508.4 billion is for operations in and around Iraq as part of Operation Iraqi Freedom, and about \$118.2 billion is for operations in Afghanistan, the Horn of Africa, the Philippines, and elsewhere as part of Operation Enduring Freedom. The remaining about \$28.1 billion is for operations in defense of the homeland as part of Operation Noble Eagle.

<sup>10</sup> Appropriations for military personnel and operation and maintenance are usually available for 1 year, while appropriations for research, development, test and evaluation are usually available for 2 years; procurement funds (with the exception of shipbuilding funds, which are sometimes available longer) are usually available for 3 years; and military construction funds are usually available for 5 years.

<sup>11</sup> We have not reviewed DOD's determination of what appropriations should be considered non-GWOT.

As figure 2 shows, DOD's reported obligations for Operation Iraqi Freedom have consistently increased each fiscal year since operations began. The increases in reported obligations for Operation Iraqi Freedom are in part due to continued costs for military personnel, such as military pay and allowances for mobilized reservists, and for rising operation and maintenance expenses, such as higher contract costs for housing, food, and services and higher fuel costs. In addition, the need to repair and replace equipment because of the harsh combat and environmental conditions in theater and the ongoing costs associated with the surge strategy announced in January 2007, which provided for the deployment of additional troops, have further increased obligations for Operation Iraqi Freedom. In contrast, DOD's reported obligations for Operation Noble Eagle have consistently decreased since fiscal year 2003, largely because of the completion of repairs to the Pentagon and upgrades in security at military installations that were onetime costs, as well as a reduction in combat air patrols and in the number of reserve personnel guarding government installations. Reported obligations for Operation Enduring Freedom have ranged from about \$10.3 billion to about \$32.0 billion each fiscal year since 2003. Recent increases in reported obligations for Operation Enduring Freedom are in part caused by higher troop levels in Afghanistan, the costs associated with training Afghan security forces, and the need to repair and replace equipment after several years of ongoing operations.

**Figure 2: DOD's Reported GWOT Obligations for Fiscal Year 2001 through Fiscal Year 2008 by Operation**



Source: GAO analysis of DOD data.

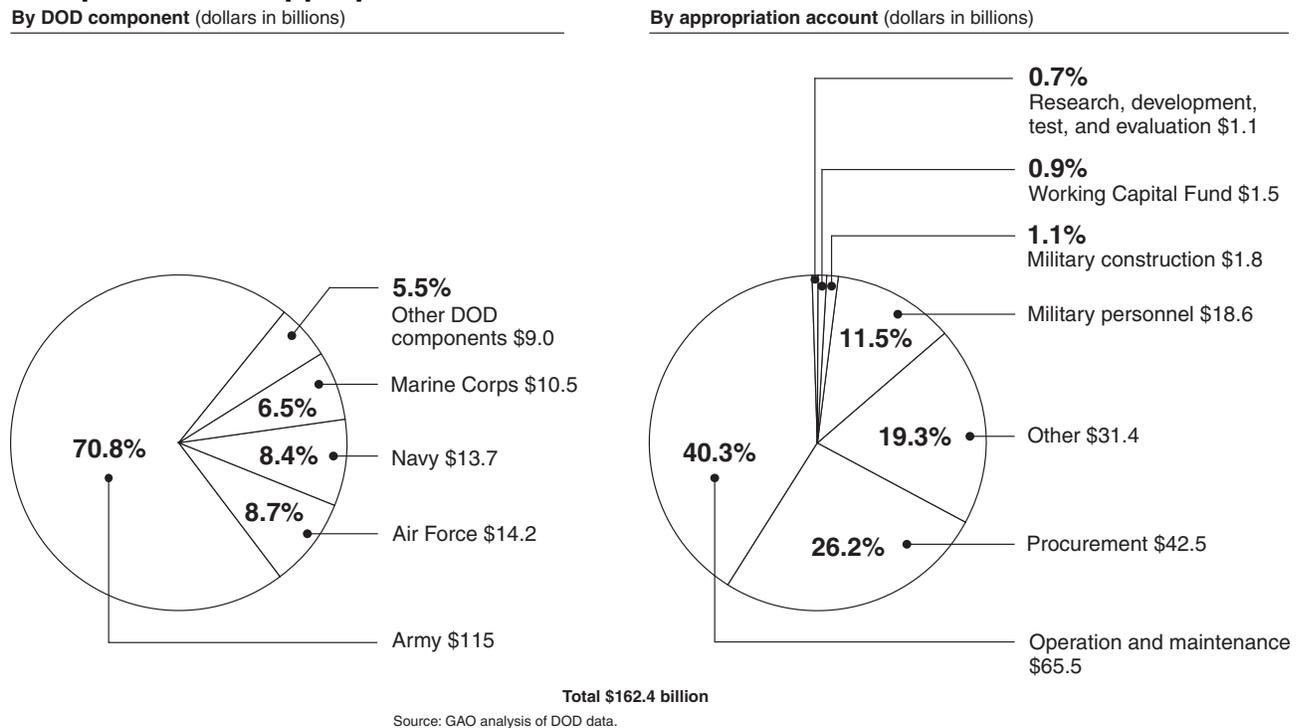
Notes: Operation Iraqi Freedom began in fiscal year 2003; therefore no obligations were reported in fiscal years 2001 and 2002 for this operation. Reported GWOT obligations generally reflect costs reported in DOD's cost-of-war reports. However, the fiscal year 2002 and 2003 figures include about \$20.1 billion that according to DOD officials was war related but not reported in DOD's cost-of-war reports. GAO has assessed the reliability of DOD's obligation data and found significant problems, such that these data may not accurately reflect the true dollar value of GWOT obligations.

In fiscal year 2008, DOD's total reported obligations of about \$162.4 billion which is about 16 percent more than the total amount of obligations it reported for all of fiscal year 2007. Reported obligations for Operation Iraqi Freedom continue to account for the largest portion of total reported GWOT obligations by operation—about \$130.3 billion. In contrast, reported obligations associated with Operation Enduring Freedom total about \$32.0 billion, and reported obligations associated with Operation Noble Eagle total about \$150.0 million. As part of our work, we are evaluating DOD's methodology for attributing cost to specific contingency operations.

The Army accounts for the largest portion of reported obligations for fiscal year 2008 — about \$115.0 billion, eight times higher than the almost \$14.2 billion in obligations reported for the Air Force, the military service with the next greatest reported amount. Among appropriation accounts, operation and maintenance, which includes items such as support for housing, food, and services; the repair of equipment; and transportation to move people, supplies, and equipment, accounts for the largest reported obligations—about \$65.5 billion. Reported obligations for the procurement account are about 26 percent of reported obligations or about \$42.5 billion. Of the \$58.2 billion provided to DOD for procurement in fiscal year 2008, approximately 27 percent, or \$15.7 billion, has yet to be obligated and remains available in fiscal year 2009.

Figure 3 shows DOD's reported obligations for fiscal year 2008 by DOD component and appropriation account.

**Figure 3: DOD's Reported GWOT Obligations for Fiscal Year 2008 by DOD Component and Appropriation Account**



Notes: Obligation figures may not add to \$162.4 billion because of rounding. The "Other" portion of the appropriation account pie chart includes programs designed to reimburse coalition countries for logistical and military support, to train and equip the Afghan National Army and Armed Forces of Iraq and to execute the Commanders Emergency Response Program. GAO has assessed the reliability of DOD's obligation data and found significant problems, such that these data may not accurately reflect the true dollar value of GWOT obligations.

## Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD described a new Status of Funds report that will replace the Cost of War report, from which data for this report was drawn. DOD commented that our report accurately stated that the difference between the funding appropriated for GWOT and the reported obligations for GWOT can be attributed to, among other things, certain non-GWOT programs that are funded by GWOT appropriations, but are not reported in the Cost of War report. According to DOD, this new report will include a table that delineates these non-GWOT amounts by appropriation and baseline program and will provide greater transparency and utility for those interested in cost of war information. Because this new report will be issued beginning with the October 2008 reporting, we have not yet evaluated it. DOD also provided technical comments, which we incorporated where appropriate. DOD's comments are included in enclosure I of this report.

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We are sending copies of this report to interested congressional committees; the Secretary of Defense; the Under Secretary of Defense (Comptroller); and the Director, Office of Management and Budget. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9619 or [pickups@gao.gov](mailto:pickups@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in enclosure II.



Sharon L. Pickup  
Director, Defense Capabilities and Management

Enclosures

*List of Committees*

The Honorable Carl Levin  
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United States Senate

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**Comments from the Department of Defense**



COMPTROLLER

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DEC 11 2008

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

Dear Ms. Pickup:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report GAO-09-233R, "*GLOBAL WAR ON TERRORISM: Reported Obligations for the Department of Defense*," dated December 3, 2008 (GAO Code 351298).

As mentioned in our comments to your third quarter report, the Department will replace the Cost of War report with the Status of Funds report for the October 2008 reporting. The Status of Funds report is a primary example where the Department is taking steps to improve the transparency, reliability and usefulness of cost of war reporting.

The Congress, since FY 2001, has appropriated amounts for baseline requirements in GWOT appropriations, referred to by the Department as non-GWOT programs (i.e., non-DoD classified programs, increases for baseline fuel costs, etc.). In the draft report, you accurately state that the difference between GWOT appropriated amounts and cost of war obligations is partly due to certain GWOT programs that will not result in obligations on a cost of war report. The monthly Status of Funds report includes a table that delineates the non-GWOT amounts by appropriation and baseline program. We view this as an example of the greater transparency and utility the Status of Funds report will provide for the community that uses cost of war information.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Brook", is positioned below the word "Sincerely,".

Douglas A. Brook  
Acting

**GAO Contact and Staff Acknowledgments**

**GAO Contact**

Sharon Pickup, (202) 512-9619 or pickups@gao.gov

**Acknowledgments**

In addition to the contact named above, Ann Borseth, Assistant Director; Bruce Brown; Richard Geiger; Linda Keefer; Ron La Due Lake; Lonnie McAllister; and Eric Petersen made key contributions to this report.

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