



Highlights of [GAO-09-362T](#), a testimony before the Subcommittee on Defense, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

Today's testimony addresses the challenges DOD faces to improve the efficiency and effectiveness of its weapon systems acquisition and contract management. GAO has designated both areas as high risk areas since the early 1990s. DOD's major weapon systems programs continue to take longer to develop, cost more, and deliver fewer quantities and capabilities than originally planned. DOD also continues to face long-standing challenges managing service contracts and contractors. For example, the oversight of service contracts has been recognized as a material weakness in the Army. The current fiscal environment combined with the current operational demands elevates the need to improve weapon systems acquisition and contract management.

DOD has taken steps in response to recommendations GAO has made over the past decade. Taken collectively, these actions reflect the commitment of DOD senior leadership. However, to fully address these challenges the department needs to (1) translate policy into practice, (2) ensure steps undertaken result in intended outcomes, and (3) conduct a fundamental reexamination of its reliance on contractors.

In preparing this testimony, GAO drew from issued reports, containing statements of scope and methodology used, and testimonies.

To view the full product, including the scope and methodology, click on [GAO-09-362T](#). For more information, contact Janet St. Laurent at (202) 512-4402 or [stlaurentj@gao.gov](mailto:stlaurentj@gao.gov) or Katherine V Schinas at (202) 512-4841 or [schinasik@gao.gov](mailto:schinasik@gao.gov).

## DEFENSE MANAGEMENT

### Actions Needed to Overcome Long-standing Challenges with Weapon Systems Acquisition and Service Contract Management

#### What GAO Found

Several underlying systemic problems at the strategic level and at the program level continue to contribute to poor weapon systems acquisition. The total acquisition cost of DOD's 2007 portfolio of major programs has grown by 26 percent over initial estimates. At the strategic level, DOD does not prioritize weapon system investments, and its processes for matching warfighter needs with resources are fragmented and broken. DOD largely continues to define warfighting needs and make investment decisions on a service-by-service basis and assesses these requirements and their funding implications under separate decision-making processes. Invariably, DOD and the Congress end up continually shifting funds to and from programs—undermining well-performing programs to pay for poorly performing ones. At the program level, weapon system programs are initiated without sufficient knowledge about requirements, technology, and design maturity. Instead, managers rely on assumptions that are consistently too optimistic, exposing programs to significant and unnecessary risks and ultimately cost growth and schedule delays. In December 2008, DOD revised its guidance to improve its acquisition of major weapon systems, consistent with recommendations GAO has made. We have previously raised concerns, however, with DOD's implementation of guidance on weapon systems acquisition.

In fiscal year 2008, DOD obligated about \$200 billion for contractor-provided services, more than doubling the amount it spent a decade ago when measured in real terms. GAO's previous work has highlighted several examples of the risks inherent in using contractors, including ethics concerns, diminished institutional capacity, potentially greater costs, and mission risks. Further, the lack of well-defined requirements, difficulties employing sound business practices, and workforce and training issues hinder efforts to effectively manage and oversee contracts and contractors. These factors ultimately contribute to higher costs, schedule delays, unmet goals, and negative operational impacts. These issues take on a heightened significance in Iraq and Afghanistan, where DOD estimated that more than 200,000 contractor personnel were engaged as of July 2008, exceeding the number of uniformed military personnel there. As of October 2008, the number of contractor personnel in both countries had increased to over 230,000. DOD has taken several steps in response to GAO's recommendations aimed at improving management and oversight of contractors. These include issuing policy and guidance addressing contract management, identifying skill gaps in DOD's acquisition workforce, improving training for military commanders and contract oversight personnel, and creating a focal point within the department for issues associated with the use of contractors to support deployed forces. DOD, however, has not conducted a comprehensive assessment to determine the appropriate mix of military, civilian, and contractor personnel.