GLOBAL WAR ON TERRORISM

DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs

What GAO Found

GAO found numerous problems in DOD’s processes for recording and reporting costs for GWOT, raising significant concerns about the overall reliability of DOD’s reported cost data. As a result, neither DOD nor Congress can reliably know how much the war is costing and details on how appropriated funds are being spent, or have historical data useful in considering future funding needs. On the basis of GAO’s work, DOD is taking steps to improve its cost reporting. Factors affecting the reliability of DOD’s reported costs include long-standing deficiencies in DOD’s financial systems, the lack of a systematic process to ensure that data are correctly entered into those systems, inaccurately reported costs, and difficulties in properly categorizing costs. In at least one case, reported costs may be materially overstated. Specifically, DOD’s reported obligations for mobilized Army reservists in fiscal year 2004 were based primarily on estimates rather than actual information and differed from related payroll information by as much as $2.1 billion, or 30 percent of the amount DOD reported in its cost report. In addition, GAO found inadvertent double counting in the Navy’s and Marine Corps’ portion of DOD’s reported costs amounting to almost $1.8 billion from November 2004 through April 2005. Because it was not feasible to examine all reported costs and significant data reliability problems existed, GAO was not able to determine the extent that total costs were misstated.

Further complicating the data reliability issue is the fact that DOD has not updated its policy to address GWOT spending. Instead, DOD is using its existing financial management regulation for funding contingency operations, although it was developed and structured to manage the costs of small-scale contingency operations. GAO has noted that specific provisions of the existing policy conflict with the needs of GWOT. One conflict concerns the use of supplemental funds for base support activities at home stations. DOD’s financial management regulation administratively precludes such use, but military service officials have spent billions of dollars in supplemental funds on these activities. Some of this spending appears to directly support the war, but some does not. DOD has updated its regulation on the basis of GAO’s work.

While individual commands have taken steps to control costs and DOD policy generally advises its officials of their financial management responsibilities to ensure the prudent use of contingency funding, DOD has not established guidelines that would require all commands involved in GWOT to take steps to control costs and to keep DOD informed of those steps and their success. For example, the commander of coalition forces in Iraq has unilaterally set a 10 percent cost reduction target for fiscal year 2005 but the details are not widely known outside the command. With the growth in GWOT costs, there is a need to ensure that all commands seek to control costs, including the need to review and rationalize related requirements. Until the department establishes guidelines on cost controls and is routinely informed about the types of controls and their impact on costs, it cannot be sure that all that can be done to control costs is being done.