GLOBAL WAR ON TERRORISM

Fiscal Year 2006 Obligation Rates Are Within Funding Levels and Significant Multiyear Procurement Funds Will Likely Remain Available for Use in Fiscal Year 2007

What GAO Found

As of June 2006, which represents 9 months (75 percent) of fiscal year 2006, the military services have reported obligating about $51.6 billion (55 percent) of the $93.3 billion they received for GWOT in supplemental and annual appropriations for military personnel, operation and maintenance, and procurement. Our analysis of reported obligations and the military services’ forecasts of their likely costs for fiscal year 2006 suggest that the rates of obligation for military personnel and operation and maintenance are within fiscal year 2006 GWOT funding levels and significant amounts of multiyear procurement funds will likely remain available for use in fiscal year 2007. The rates of obligation for military personnel are within funding levels for all military services except the Army, which plans to transfer about $591 million in funds from other appropriations accounts to cover its military personnel obligations. The rates of obligation for operation and maintenance are within funding levels for all military services. As of June, the military services reported obligating about 85 percent of military personnel funds and 60 percent of operation and maintenance funds. For various reasons, most notably being that supplemental funds were not appropriated until June 2006, the military services do not expect to obligate a large portion of procurement funds, which generally are available for multiple years, and therefore these funds will remain available in fiscal year 2007. The military services received about 32 percent ($6.8 billion) of procurement funding in annual appropriations and 68 percent ($14.7 billion) in the supplemental appropriation. As of June, the military services reported obligating about 68 percent of the procurement funds received in the annual appropriation.

DOD and the military services have taken specific steps intended to improve the accuracy and reliability of their reported GWOT obligation data. Some problems remain with transparency over certain costs and inaccuracies in reported obligations. In response to GAO’s prior recommendations, DOD now requires components to perform a monthly variance analysis to identify and explain significant changes in obligations and to attest to the accuracy of monthly obligation reports, and affirm it provides a fair representation of ongoing activities. Because these efforts are in the early stages of implementation, GAO has not fully evaluated their impact. Existing cost reporting procedures limit transparency of certain obligations because DOD continues to report large amounts in miscellaneous “other” categories. Also, DOD’s cost reports for fiscal year 2005 understated total GWOT obligations for that year because they did not initially include about $1.1 billion in obligations tied to the training and equipping of Afghan and Iraqi security forces. Without transparent and accurate cost reporting, Congress and DOD will continue to be unable to reliably know how much the war is costing, examine 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 updated its guidance on the reporting of obligations in miscellaneous “other” categories and revised its September 2005 cost-of-war report to more fully reflect past obligations.