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

What GAO Found

Through June 2007, DOD’s reported obligations for fiscal year 2007 of $95.4 billion were almost equal to its total reported GWOT obligations for fiscal year 2006. After GWOT obligations are reported for the remaining 3 months of fiscal year 2007, which are now averaging $10.6 billion a month, total obligations will significantly exceed those for fiscal year 2006. Further, changes to the President’s fiscal year 2008 GWOT request for DOD have been submitted to fund operational requirements that were not included in the original request. These include decisions in January 2007 to increase or “surge” troop levels in Iraq, and in September 2007 to begin to withdraw these troops during fiscal year 2008. These amendments, totaling nearly $47.6 billion, bring the total fiscal year 2008 GWOT funding request for DOD to about $189.3 billion.

Changes in DOD’s GWOT funding guidance have resulted in billions of dollars being added to GWOT funding requests for what DOD calls the “longer war against terror,” making it difficult to distinguish between incremental costs to support specific contingency operations and base costs. Although emergency funding has historically been used to support unexpected costs of contingency operations, in October 2006, DOD revised guidance to allow for additional costs. As a result, the fiscal year 2007 and 2008 requests included funding for items generally requested in DOD’s base budget, such as future weapon systems, transformation, and increases to military end strength. GAO believes similarities, in some cases, between DOD’s GWOT and base funding requests, along with the duration of GWOT operations, indicate DOD has reached the point where it should build more funding into its base budget. Without clearly defining the “longer war against terror” and increasing the transparency between incremental and base costs, decision makers cannot assess priorities and potential trade-offs. If the administration believes the nation is engaged in a long-term conflict, the implications should be considered during annual budget deliberations. Continuing to fund GWOT through emergency requests reduces transparency and avoids the necessary reexamination of commitments, investment priorities, and trade-offs.

DOD has achieved some positive results and GWOT cost reporting continues to evolve. More action is needed to optimize the tools intended to improve GWOT cost reporting. DOD has begun to improve transparency by requiring components to analyze variances in reported obligations and to disclose reasons for significant changes. GAO found that required explanations, in some instances, were not disclosed due to inadequate management oversight, and other types of analysis could help identify obligations omitted from reports, such as about $1.5 billion in Marine Corps obligations. Also, in some cases, components did not provide required affirmation statements to attest to accuracy nor were they required to disclose the basis for statements or note the outcome of variance analyses. Without more complete information and a more robust methodology, DOD does not yet have the data needed to assess reliability or to be confident adequate steps are taken to validate cost data.

What GAO Recommends

GAO makes 11 recommendations on GWOT funding requests and the reliability of cost reports, including better defining incremental and base costs, building more funding into DOD’s base budget, and performing additional analyses on variances. DOD generally agreed with the recommendations.

To view the full product, including the scope and methodology, click on GAO-08-68. For more information, contact Sharon Pickup at (202) 512-9619 or pickups@gao.gov.

Why GAO Did This Study

Since the September 2001 terrorist attacks, Congress has provided about $542.9 billion, as of May 2007, to the Department of Defense (DOD) for the Global War on Terrorism (GWOT). Prior GAO reports have found DOD’s reported GWOT obligation data unreliable and problems with transparency over certain costs. DOD made changes to its reporting procedures, requiring components to perform a monthly variance analysis on obligation data and to include affirmation statements attesting to the accuracy of cost data.

Under the Comptroller General’s authority to conduct evaluations on his own initiative, GAO assessed (1) the outlook of DOD’s reported GWOT obligations for fiscal year 2007 and funding requests for fiscal year 2008, (2) the effect of changes in DOD’s GWOT funding guidance, and (3) DOD’s progress in implementing variance analysis and affirmation statements.

For this engagement, GAO analyzed fiscal year 2007 GWOT-related appropriations and reported obligations, as well as DOD’s corrective actions.

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