



Highlights of [GAO-08-619](#), a report to the Committee on Armed Services, U.S. Senate

Why GAO Did This Study

The Department of Defense (DOD) expects the cost to develop and procure the major weapon systems in its current portfolio to total \$1.6 trillion. With increased competition for funding within DOD and across the federal government, effectively managing these acquisitions is critical. Yet DOD programs too often experience poor outcomes—like increased costs and delayed fielding of needed capabilities to the warfighter.

In 2006, this Committee mandated that GAO report on DOD's processes for identifying needs and allocating resources for its weapon system programs. In 2007, GAO reported that DOD consistently commits to more programs than it can support. This follow-on report assesses DOD's funding approach, identifies key factors that influence the effectiveness of this approach, and identifies practices that could help improve DOD's approach.

To conduct its work, GAO assessed 20 major weapon programs in DOD's current portfolio—5 in detail—and reviewed relevant DOD policy and guidance, prior GAO work, and other relevant literature. GAO also reviewed the practices of selected successful companies.

What GAO Recommends

GAO is making three recommendations aimed at increasing funding stability and improving acquisition outcomes. DOD believes that current policies and initiatives sufficiently address the first two recommendations, and did not concur with the third.

To view the full product, including the scope and methodology, click on [GAO-08-619](#). For more information, contact Michael J. Sullivan at (202) 512-4841 or sullivanm@gao.gov.

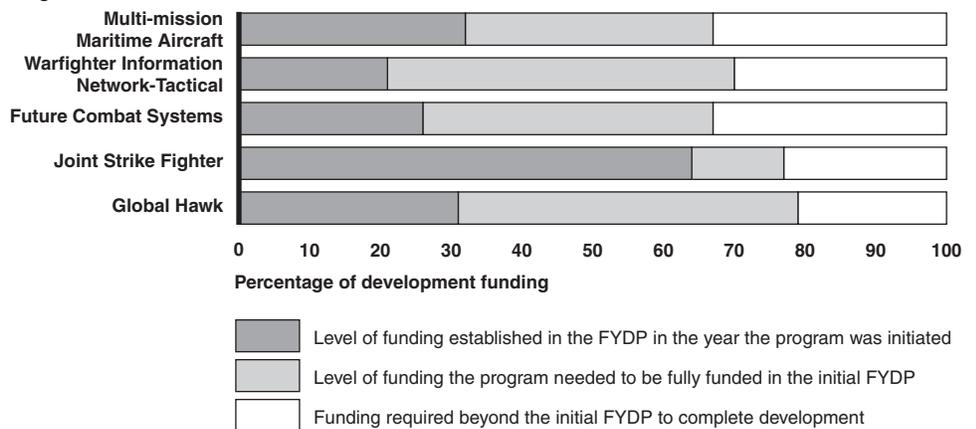
DEFENSE ACQUISITIONS

A Knowledge-Based Funding Approach Could Improve Major Weapon System Program Outcomes

What GAO Found

DOD often does not commit full funding to develop its major weapon systems when they are initiated, despite the department's policy to do so. For a majority of the weapon system programs GAO reviewed, costs have exceeded the funding levels initially planned for and reflected in the Future Years Defense Program (FYDP)—DOD's investment strategy. To compensate for these shortfalls, DOD makes unplanned and inefficient funding adjustments, like moving money from one program to another, deferring costs into the future, or reducing procurement quantities.

Funding Shortfalls at the Start of Development for Five Major Weapon System Programs



Source: DOD (data); GAO (analysis and presentation).

DOD's flawed funding process is largely driven by decision makers' willingness to accept unrealistic cost estimates and DOD's commitment to more programs than it can support. DOD often underestimates development costs—due in part to a lack of knowledge and optimistic assumptions about requirements and critical technologies. At the same time, DOD's continued failure to balance its needs with available resources promotes unhealthy competition among programs for funding. This creates incentives for service and program officials to establish requirements that make their particular weapon systems stand out, with less consideration of the resources needed to develop them. Ultimately, DOD tends to push the need for funding to the future rather than limit program length or adjust requirements.

The successful commercial companies that GAO has previously reviewed achieve adequate and stable funding for product development programs by following a disciplined, knowledge-based approach to estimating program costs; using manageable development cycles to increase the predictability of funding needs and the likelihood of program success; and using portfolio management practices to make decisions about which programs to pursue. Once programs are approved, these companies firmly commit to fully fund them.