

# GAO Highlights

Highlights of [GAO-13-792](#), a report to congressional committees

## Why GAO Did This Study

DOD must make cost-effective decisions in the use of its military, civilian, and contractor workforces, and CAPE issued guidance that provides a methodology for cost estimates and comparisons among workforces. The conference report accompanying the National Defense Authorization Act for Fiscal Year 2013 mandated that GAO review the cost methodology in Directive-Type Memorandum (DTM) 09-007 or its successor guidance to determine whether they reflect the actual, relevant, and quantifiable costs to taxpayers for work performed by these workforces. This report evaluates the extent to which (1) DOD's methodology reflects the full cost to the taxpayer, and (2) DOD's components incorporated the business rules in the memorandum and successor instruction into workforce mix decisions. GAO compared DOD's cost methodology to guidance from other government entities and interviewed officials from components applying the methodology, as well as other appropriate DOD officials.

## What GAO Recommends

GAO is recommending that DOD develop further guidance on certain cost elements, such as training; develop business rules for estimating Reserve and National Guard costs; evaluate inclusion or non-inclusion of cost elements related to retirement; assess cost models being used across the department; and reassess sources for contractor data. DOD concurred with two and partially concurred with three of GAO's recommendations. GAO continues to believe it is important for DOD to fully address the recommendations in order to achieve desired results.

View [GAO-13-792](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or [farrellb@gao.gov](mailto:farrellb@gao.gov)

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## HUMAN CAPITAL

### Opportunities Exist to Further Improve DOD's Methodology for Estimating the Costs of Its Workforces

## What GAO Found

The Department of Defense (DOD) has improved its methodology for estimating and comparing the full cost to the taxpayer of work performed by military and civilian personnel and contractor support, but the methodology continues to have certain limitations. Best practices state that cost estimating rules should include a common set of standards that minimize conflicts in definitions, but DOD's methodology does not provide guidance for certain costs. For instance, its estimate of service training costs divides total training funding by the number of servicemembers. Using this method yields an average training cost of \$6,490 per servicemember in the Army for fiscal year 2012. However, Army data show that training for a general aviation officer can be as high as \$93,600 a year, while the training for an enlisted infantryman can be as low as about \$4,600 a year. DOD's Cost Assessment and Program Evaluation (CAPE) office has not provided more specific direction on training costs, although some officials have requested it. Additionally, CAPE officials told GAO they did not include Reserve and National Guard personnel in the methodology because usually these personnel are used on a short-term basis. However, a portion of these personnel do serve in a full-time capacity. The Federal Accounting Standards Advisory Board has noted that a cost methodology should include any resources directly or indirectly used to perform work, and DOD relies on Reserve and National Guard personnel, for example, to provide airlift capabilities in support of military operations. Further, CAPE has not yet evaluated certain retirement-related cost elements. A portion of these cost elements may not be appropriate to include because they are not attributable to current military and civilian personnel. Without more specific direction in these areas, it will be more difficult for DOD to have reasonable assurance that its cost estimates and comparisons reflect the full and most accurate cost to the taxpayer of work performed by its various workforces.

DOD components GAO examined generally have incorporated business rules contained in the memorandum and successor instruction into their workforce mix decisions, although DOD officials said opportunities to use the rules have been limited due to budgetary factors and few new or expanded missions. Moreover, implementation challenges exist. Some officials raised questions about the extent to which other officials throughout DOD are aware of a requirement to use the methodology for decisions other than in-sourcing. Further, CAPE recently completed a DOD-wide software tool for implementing its instruction, but at the time of GAO's review, some DOD components had developed their own tools. CAPE officials told GAO that the components' use of its DOD-wide tool will not be required, enforced, or monitored, and that CAPE has not reviewed the components' tools. Best practices state that to be reliable, cost estimates should be derived using a process that produces results that are accurate and can be traced, replicated, and updated. Assessing these tools would enable CAPE to identify the advantages and disadvantages of allowing multiple tools and provide reasonable assurance that cost estimates are reliable. Further, the instruction directs users to a General Services Administration (GSA) website for determining contractor support costs. GAO has reported on limitations of GSA's website such as its reporting of data that do not reflect post-competition prices. Without reliable data sources, DOD components may not be using the most suitable data needed to produce credible cost estimates.