

GAO Highlights

Highlights of [GAO-17-724](#), a report to congressional defense committees

Why GAO Did This Study

Section 346(a) of the National Defense Authorization Act for Fiscal Year 2016 requires that DOD implement a plan to achieve no less than \$10 billion in cost savings from headquarters, administrative, and support activities for fiscal years 2015 through 2019. Congress further mandated DOD to report on that plan with its budget submissions for fiscal years 2017 through 2019, and for GAO to examine each report.

DOD has not submitted the report that was required with the department's fiscal year 2017 budget submission but did submit a letter to Congress in March 2016 with an interim update on its plan. GAO examined the extent to which DOD has identified the cost savings required through fiscal year 2019 using reliable cost savings estimates.

GAO reviewed DOD's interim update and related documentation, including DOD budget and guidance documents. GAO also interviewed DOD officials about the status of the plan and related efficiency efforts.

This is a public version of a sensitive report that is being issued concurrently. Information on budget data that DOD deemed sensitive has been redacted from this report.

What GAO Recommends

GAO recommends that DOD develop reliable cost savings estimates that include detailed information and documentation. DOD partially concurred with this recommendation but did not address how it intended to implement the recommendation. GAO continues to believe the recommendation is warranted.

View [GAO-17-724](#). For more information, contact John H. Pendleton at (202) 512-3489 or pendletonj@gao.gov.

July 2017

DEFENSE EFFICIENCY INITIATIVES

DOD Needs to Improve the Reliability of Cost Savings Estimates

What GAO Found

DOD has not identified \$10 billion in cost savings through fiscal year 2019 as required and does not have a reliable cost savings estimate to support the cost savings it has identified. According to DOD documents, the department estimates that it will save about \$13.1 billion from fiscal years 2015 through 2021. It based its cost savings estimate on savings DOD (1) identified in May 2015 and (2) reported to Congress in its March 2016 interim update (see table below).

Department of Defense (DOD)-Identified Efficiency-Related Cost Savings Estimates, Fiscal Years 2015-2021

In billions of dollars

	Total
Estimated cost savings identified in DOD's May 2015 Section 904 Report ^a	5.3
Estimated cost savings DOD reported to Congress in its March 2016 interim update ^b	7.8
Total^c	13.1

Source: DOD | GAO-17-724

Note: GAO determined the cost savings estimate are unreliable because the DOD-provided supporting documentation was not sufficiently detailed to support the estimate.

^aPub. L. No. 113-66 § 904 (2013). See Department of Defense, *Plan for Streamlining DOD Management Headquarters: Section 904 Initial and Status Report to Congress* (May 14, 2015).

^bCost savings from headquarters, administrative, and support activities as required by Pub. L. No. 114-92, § 346(a) (2015).

^cIn a letter from DOD commenting on a draft of this report, the department stated it identified additional savings that it intends to count toward the required cost savings but did not provide a timeframe for achieving these savings.

DOD's projected cost savings estimate is unreliable because DOD-provided documentation, when compared with best practices for cost estimates, was not sufficiently detailed to support the estimate. According to DOD's internal assessment, the \$5.3 billion in cost savings identified in the May 2015 report were "not auditable" because the baseline for reductions had not been established, among other reasons. The March 2016 update identified additional cost savings in categories of efficiencies, and the level of detail in DOD's documentation related to these categories varied. For example, for one category, documentation showed cost savings estimates by organization, how estimates were calculated, and actions organizations planned to take to achieve the cost savings. In contrast, for two categories, documentation identified cost savings by fiscal year but did not include information on specific actions planned to achieve them. Without detailed documentation allowing someone unfamiliar with the program to easily recreate or update the cost savings estimate, the estimate is not reliable and, thus, does not allow for clear tracking of cost savings.