

# GAO Highlights

Highlights of [GAO-18-242](#), a report to the Subcommittee on Oversight and Investigations Committee on Armed Services, House of Representatives

## Why GAO Did This Study

Under the Arms Export Control Act and its implementing regulations, DOD is required to recover nonrecurring costs—unique one-time program-wide expenditures—for certain major defense equipment sold under the FMS program. These costs include research, development, and one-time production costs, such as expenses for testing equipment. The Act also permits those costs to be waived under certain circumstances, such as to standardize equipment with select allies or to avoid a loss of sale.

GAO was asked to review DOD's use of nonrecurring cost waivers. This report addresses the (1) nonrecurring cost waivers approved by DOD from fiscal years 2012 through 2017, (2) factors DOD considers when reviewing waivers, and (3) efficiency of the waiver review process.

To conduct this work, GAO analyzed DOD data of nonrecurring cost waivers for fiscal years 2012 through 2017, the most recent and complete data, to identify the value of waivers. GAO then reviewed a non-generalizable sample of 24 of these waivers that included a mix of justifications and geographic regions. GAO reviewed relevant DOD policy and interviewed DOD officials about the process to assess these waivers.

## What GAO Recommends

DSCA should continue to identify opportunities to streamline the waiver review process. DSCA concurred with GAO's recommendation.

View [GAO-18-242](#). For more information, contact Marie A. Mak at (202) 512-4841 or [MakM@gao.gov](mailto:MakM@gao.gov).

January 2018

## FOREIGN MILITARY SALES

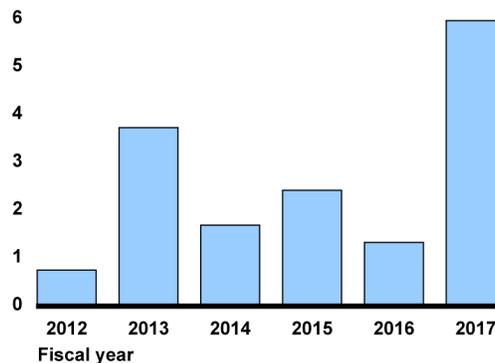
### DOD Should Take Additional Steps to Streamline Process for Assessing Potential Recovery of Certain Acquisition Costs

## What GAO Found

In the past 6 years, the Department of Defense (DOD) approved waivers valued at nearly \$16 billion that it might otherwise have collected from foreign governments as part of its sales of major defense equipment through the Foreign Military Sales (FMS) program. The Arms Export Control Act, as delegated, authorizes the Defense Security Cooperation Agency (DSCA) within DOD to waive nonrecurring costs under certain circumstances, such as to standardize equipment with allies. From fiscal years 2012 through 2017, DSCA reviewed 813 waivers and denied 3, resulting in an approval rate of 99 percent. As shown in the figure below, the value of approved waivers significantly increased to nearly \$6 billion last year, which is due to 2 waivers totaling nearly \$3.5 billion for sales of missiles and related support systems.

#### Total Value of Approved Foreign Military Sales Nonrecurring Cost Waivers from Fiscal Years 2012 through 2017

Dollars (in billions)



Source: GAO analysis of Department of Defense data. | GAO-18-242

When reviewing waivers, DSCA considers foreign policy and national security factors, such as interoperability with allies, and economic factors, such as support for the U.S. defense industrial base. Agency officials stated that approving waivers helps ensure sales go through and such broader benefits are realized. DSCA's practice to approve waivers is consistent with the authority it has been delegated under the Arms Export Control Act and is influenced by these benefits.

The process DOD has established to consider waivers is, at times, inefficient and repetitive. DSCA has final approval authority; however, multiple DOD offices must review and provide input on each waiver, with some offices reviewing waivers for the same purpose. Federal standards for internal control call for agencies to allocate resources and assign responsibilities to achieve efficiency and effectiveness. DOD has already taken steps to improve the efficiency of the waiver review process; for example, by reducing the time a few offices take to review the waivers. Nonrecurring cost waivers are one part of the larger FMS process, and continuing to streamline the waiver review process would better position DSCA and the military departments to identify opportunities to maximize efficiencies.