

GAO Highlights

Highlights of [GAO-18-101](#), a report to congressional committees

Why GAO Did This Study

Between fiscal years 2005 and 2016, Congress annually appropriated between \$2.5 to \$9.6 billion in MILCON funding for the active component of the U.S. military to use for projects worldwide. Reliable project construction cost estimates are of great importance, since those estimates drive these appropriations.

House Report 114-537 accompanying a proposed bill authorizing national defense activities for fiscal year 2017 included a provision for GAO to report on DOD's MILCON cost estimating. This report examines the extent to which (1) the active component obligated and expended the MILCON appropriations received during fiscal years 2005-2016, (2) the active component reprogrammed MILCON appropriations during fiscal years 2010 through 2016, and (3) DOD's MILCON cost estimates are reliable for selected projects and DOD's guidance for developing estimates fully incorporates the steps needed for developing reliable estimates. GAO analyzed the active components' MILCON execution data and reviewed DOD's guidance for cost estimating and compared it with the best practices identified in GAO's *Cost Estimating and Assessment Guide*.

What GAO Recommends

GAO recommends that DOD ensure that its cost estimating guidance fully incorporate the steps needed for developing reliable cost estimates. DOD partially concurred with GAO's recommendation and stated that it will issue revised cost guidance in fiscal year 2019 that more fully incorporates those steps that would benefit the military construction program.

View [GAO-18-101](#). For more information, contact Brian J. Lepore at (202) 512-4523 or leporeb@gao.gov.

March 2018

DEFENSE INFRASTRUCTURE

Action Needed to Increase the Reliability of Construction Cost Estimates

What GAO Found

During fiscal years 2005 through 2016, Congress appropriated about \$66 billion in military construction funds (MILCON) to the active duty Army, Navy, and Air Force (referred to as the active component) for projects. As of September 30, 2016, the active component had obligated all but about \$5.1 billion and expended all but about \$11 billion of those funds. Of the \$5.1 billion remaining unobligated, about \$4.6 billion was still available to be obligated because MILCON appropriations are generally available for new obligations for 5 years. According to Department of Defense (DOD) officials, available but unobligated amounts no longer needed may be either taken back by Congress or reprogrammed to other MILCON projects that the active component identifies as needing additional funding.

During fiscal years 2010 through 2016, the active component reprogrammed about \$1.6 billion in MILCON appropriations to fund emergency projects, projects that were authorized but did not receive specific appropriations, and projects needing additional funding. Of this amount, the Army reprogrammed about \$789 million; the Navy, about \$535 million; and the Air Force, about \$295 million.

DOD's guidance does not fully incorporate the steps needed for developing reliable estimates and the estimates for three projects that GAO reviewed were not reliable. Specifically, two of the three high-value projects GAO examined experienced a more than 30-percent increase from the initial cost estimates submitted to Congress. GAO determined that DOD cost estimators did not follow all the best practices associated with the four characteristics—comprehensive, well-documented, accurate, and credible—of a reliable estimate for these projects. GAO's *Cost Estimating and Assessment Guide* identifies 12 steps that, if used, are more likely to result in reliable and valid cost estimates. However, as shown below, DOD's construction guidance—the Unified Facilities Criteria—does not include all of these steps. Until DOD incorporates these steps, DOD and congressional decision-makers may not have reliable estimates to inform their decisions regarding appropriations and the oversight of projects.

GAO Assessment of DOD's Unified Facilities Criteria

Step	Assessment	Step	Assessment
1 Define estimate's purpose	Partially met	7 Develop the point estimate and compare with an independent estimate	Substantially met
2 Develop the estimating plan	Partially met	8 Conduct a sensitivity analysis	Minimally met
3 Define the program characteristics	Substantially met	9 Conduct a risk analysis	Partially met
4 Determine the estimating structure	Partially met	10 Document the estimate	Partially met
5 Identify ground rules and assumptions	Minimally met	11 Present estimate to management	Not met
6 Obtain the data	Partially met	12 Update the estimate	Partially met

Source: GAO analysis of Department of Defense (DOD) data and documentation. | [GAO-18-101](#)