



Highlights of [GAO-12-340](#), a report to the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

Why GAO Did This Study

With the nation facing fiscal challenges and the potential for tighter defense budgets, Congress and the Department of Defense (DOD) have placed more attention on controlling the billions of dollars spent annually on weapon system operating and support (O&S) costs. These costs include, costs for repair parts, maintenance, and personnel, and account for about 70 percent of the total costs of a weapon system over its life cycle. The selected acquisition report (SAR) is DOD's key recurring status report on the cost, schedule, and performance of major defense acquisition programs and is intended to provide authoritative information for congressional oversight of these programs. Oversight of O&S costs is important because many of the key decisions affecting these life-cycle costs are made during the acquisition process. GAO reviewed weapon system O&S cost estimates that DOD submits in the SAR. Specifically, GAO determined the extent to which the SARs provide consistent and reliable O&S cost estimate information that enables effective oversight of these weapon system costs. To conduct its review, GAO analyzed SAR data for 84 major systems that submitted O&S cost estimates in the 2010 SAR and selected a nonprobability sample of 15 systems for more in-depth review.

What GAO Recommends

To enhance visibility of weapon system O&S costs during acquisition, GAO recommends that DOD improve its guidance to program offices on cost reporting and also improve its process for reviewing these costs prior to final submission of the SAR to Congress. DOD concurred with GAO's recommendations.

View [GAO-12-340](#). For more information, contact Cary B. Russell at (404) 679-1808 or russellc@gao.gov.

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DEFENSE LOGISTICS

Improvements Needed to Enhance Oversight of Estimated Long-term Costs for Operating and Supporting Major Weapon Systems

What GAO Found

DOD's reports to Congress on estimated weapon system O&S costs are often inconsistent and sometimes unreliable, limiting visibility needed for effective oversight of these costs. The SAR statute requires that life-cycle cost reporting for major weapon systems be uniform, to the extent practicable, across the department, but GAO found a number of inconsistent practices in how program offices were reporting life-cycle O&S cost estimates in the SAR. Program offices were inconsistent in (1) the explanatory information they included with the cost estimates; (2) the source of the cost estimate they cited as the basis for the reported costs; (3) the unit of measure they used to portray average costs; (4) the frequency with which they updated reported costs; and (5) the reporting of costs for an antecedent system being replaced by the new weapon system. For example, 35 (42 percent) of the 84 programs that reported O&S costs in the 2010 SAR did not cite a source of these data, contrary to DOD's guidance, and 57 (68 percent) of the programs did not report O&S costs for an antecedent system. Also, O&S cost submissions in the SAR did not always incorporate best practices for presenting cost estimates, such as tracking cost changes over time and identifying cost drivers. In addition, 11 systems did not provide O&S cost estimates in the 2010 SAR.

Although SARs are intended to provide Congress with authoritative program information on major weapon systems, 7 of the 15 sample programs GAO reviewed submitted unreliable O&S cost estimate data in the 2007, 2009, or 2010 SARs. For example, an Air Force program underreported O&S costs by \$2.1 billion (fiscal year 2002 dollars), or 18 percent. While some of the program offices did not provide an explanation for the errors in the submitted data, others cited specific reasons. For example, one Navy program office underreported O&S costs in the SAR and explained that it excluded certain costs that were not under its control, such as externally funded spare parts and military personnel. However, excluding such costs is contrary to the SAR statute. An Air Force program reported current and projected funding for the program rather than estimated life-cycle O&S costs. This practice also had the effect of underreporting these costs.

DOD's reports to Congress on estimated weapon system O&S costs were often inconsistent and sometimes unreliable due to a lack of (1) detailed implementation guidance for reporting these costs and (2) an effective process for reviewing the O&S cost sections of the SAR before final submission to Congress. DOD's guidance collectively provides minimal instructions for O&S cost reporting. The guidance also does not incorporate some of the best practices GAO has identified for presenting cost estimates. Further, although the SAR data submitted by program offices are subject to multiple reviews within the military services and by the Office of the Secretary of Defense, this review process has not provided assurance that O&S costs are reported consistently and reliably. In the absence of improvements to the SAR guidance and to the review process, deficiencies in reporting O&S costs are likely to continue. Improved reporting of O&S costs in the SAR could help to place more emphasis on assessing, managing, and controlling long-term weapon system O&S costs.