

Why GAO Did This Study

In the face of increasing budgetary pressures, it is important that DOD continue to find ways to manage its portfolio of major defense acquisition programs (MDAP) more efficiently. In 2008, GAO concluded that program cancellations can be a valuable portfolio management tool, and found that DOD can take various steps to retain value from the work completed. The Senate report accompanying the National Defense Authorization Act for 2013 mandated GAO to review issues associated with cancellations of MDAPs. This report assesses (1) the effects of program cancellation, (2) the adequacy of DOD guidance on program cancellations, (3) the extent to which DOD leveraged or transferred to other programs various types of assets from canceled programs, and (4) the usefulness of contract termination cost estimates. To do this work, GAO reviewed the cancellation of five major DOD programs from across the military services; interviewed officials at the Office of the Secretary of Defense, the military services, and others; and reviewed current guidance related to program cancellation.

What GAO Recommends

GAO recommends that DOD direct program officials to refer to Smart Shutdown guidance and to provide lessons learned, and that DOD develop department-wide processes to improve tracking and dissemination of information about assets available. DOD partially concurred with these recommendations, but stated use of and contribution to Smart Shutdown should be encouraged rather than directed. GAO maintains direction would be more effective.

View [GAO-14-77](#). For more information, contact Cristina Chaplain at (202) 512-4841 or chaplainc@gao.gov.

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CANCELED DOD PROGRAMS

DOD Needs to Better Use Available Guidance and Manage Reusable Assets

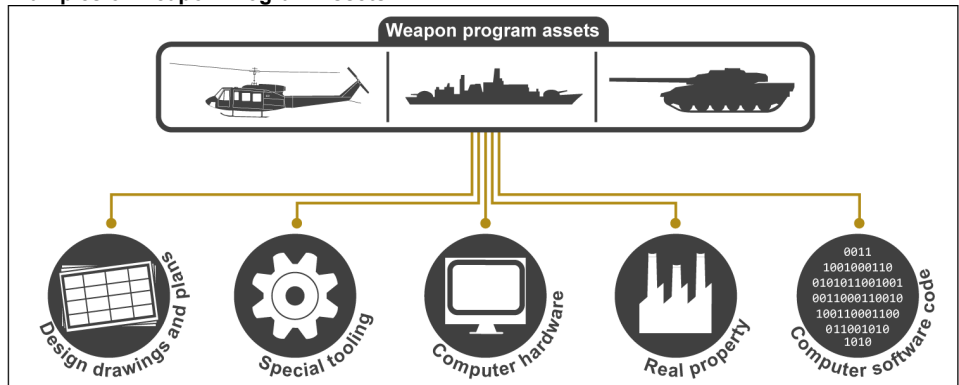
What GAO Found

Cancellation of a major Department of Defense (DOD) weapon program can have broad effects. Cancellation of one program can affect the schedules or budgets for related programs as well as the industrial base and local economies. For example, the cancellation of one program has impacted the schedule for the Army's network modernization efforts. DOD stakeholders can provide input to program officials on the potential effects of a cancellation.

DOD has developed an online resource, Smart Shutdown, to offer tools for program managers related to program cancellations. In 2013, a guidebook was added that addresses the spectrum of cancellation effects. However, current efforts to publicize this online resource may not be sufficient and program officials may lack the knowledge necessary to leverage investments as effectively as possible. Furthermore, while this resource is designed to allow officials to share lessons learned about program cancellation, there have been few contributions to date. Without increased sharing of lessons learned, DOD will miss opportunities to build and share knowledge on program shutdown.

GAO could not determine the extent to which DOD leveraged the assets in its case studies because DOD does not have a way to track all types of assets from canceled programs.

Examples of Weapon Program Assets



Source: GAO (data and images); ArtExplosion (images).

DOD relies on a government-wide process for tracking disposal of government property, such as computer hardware and equipment, but this process is not tailored to weapon systems and was not designed to track other types of assets such as rights to technical data and software, or partially-developed technologies. Because there is no department-wide process for disseminating information about all assets available for reuse, DOD cannot ensure that technologies go to parties who can best use or develop them further.

Estimates of contract termination costs are sometimes perceived as a useful tool in managing a portfolio of investments and informing contract termination and budgeting decisions. However, the usefulness of these estimates is limited by, among other factors, inherent uncertainties about costs that cannot be addressed until a program is actually terminated.