FORCE STRUCTURE

Actions Needed to Improve Estimates and Oversight of Costs for Transforming Army to a Modular Force

Why GAO Did This Study

In 2004, the Army began transforming its force into modular brigade-based units, thus expanding the number of units available for deployment and creating new command and support units. The Army is transforming while engaged in the Global War on Terrorism and developing other high-cost capabilities. This prompted congressional concern about the affordability of Army plans. Thus, under the Comptroller General's statutory authority, GAO examined the Army's restructuring. This report addresses (1) the extent of change in costs and areas of uncertainty that could affect those costs, (2) the Army's plan for funding modularity and factors that may affect affordability, and (3) whether the Army has an adequate approach to track modularity obligations.

What GAO Recommends

GAO recommends that the Secretary of Defense provide Congress an annual plan outlining the costs of Army modularity and develop an approach to track funds obligated for this effort. The Department of Defense (DOD) agreed on the need to provide Congress better information on Army modularity, but stated it does not plan to establish an approach for tracking costs. GAO reiterates the need for the Secretary to provide a plan for overseeing expenditures for Army modularity in a matter for congressional consideration.

www.gao.gov/cgi-bin/getrpt?GAO-05-926.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Sharon Pickup at (202) 512-9619 or pickups@gao.gov.

What GAO Found
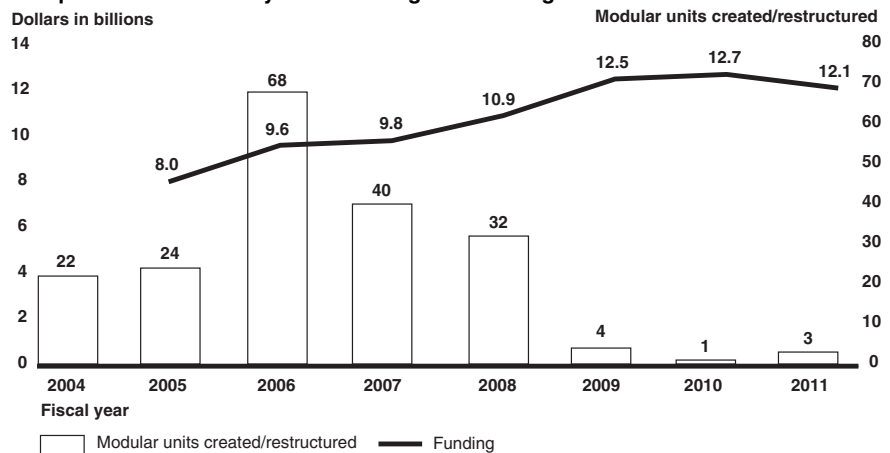
The Army's cost estimates for its modular force are evolving and have increased substantially, and uncertainty exists that will likely increase costs further. In March 2005, the Army estimated it will need $48 billion to fund modularity through 2011, a 71 percent increase from its 2004 estimate of $28 billion. However, this latest estimate does not include $27.5 billion in personnel and construction costs the Army and GAO identified, bringing potential known costs to $75.5 billion. Uncertainties remain in this estimate related to force design, equipment, facilities, and personnel, which could increase costs or require the Army to reduce capabilities. Until the Army provides a more reliable estimate of its modularity costs, DOD and Congress will not be well positioned to weigh competing requests for funding.

The Army's funding plan, which it uses as the basis for developing funding requests, relies on annual and supplemental appropriations and may present future affordability challenges. Uncertainty in cost estimates noted above, reliance on business engineering efficiencies that historically have been difficult for DOD to achieve, and likely cost growth from another high-cost program—Future Combat Systems—collectively pose the risk of making this plan unaffordable. Also, as shown below, the Army will be creating most of the modular units before it has the funding to support them.

Comparison of Modularity Restructuring and Funding Schedules

Source: GAO analysis of Army funding data and unit creation schedules.

Note: The Army plan did not include funding data for fiscal year 2004.

While the Army can generally identify overall equipment purchases, it lacks an approach for tracking most modularity obligations and thus cannot provide a reliable picture of past spending or future funding needs. Army officials said they had not established a framework to track personnel and equipment obligations in part due to the difficulty of defining whether such expenses were incurred specifically for modularity or to support the force in general. However, we note the Army has made such distinctions in its past funding requests, including identifying specific amounts needed for equipment, and will require such data to develop and justify future requests.

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United States Government Accountability Office