



Highlights of [GAO-08-448](#), a report to congressional committees

Why GAO Did This Study

By law, GAO annually assesses the Missile Defense Agency's (MDA) progress in developing and fielding a Ballistic Missile Defense System (BMDS). Funded at \$8 billion to nearly \$10 billion per year, it is the largest research and development program in the Department of Defense (DOD). The program has been managed in 2-year increments, known as blocks. Block 2006, the second BMDS block, was completed in December 2007. GAO assessed MDA's progress in (1) meeting Block 2006 goals for fielding assets, completing work within estimated cost, conducting tests, and demonstrating the performance of the overall system in the field, and (2) making managerial improvements to transparency, accountability, and oversight. In conducting the assessment, GAO reviewed the assets fielded; contractor cost, schedule, and performance; and tests completed during 2007. GAO also reviewed pertinent sections of the U.S. Code, acquisition policy, and the charter of a new missile defense board.

What GAO Recommends

GAO makes several recommendations that include (1) adding sufficient scope to tests to enable an assessment of the BMDS' suitability and effectiveness and (2) developing a cost estimate for each block and requesting an independent verification of that cost. DOD agreed with our recommendation to estimate the full cost of a block, but only partially agreed with adding scope to developmental tests.

To view the full product, including the scope and methodology, click on [GAO-08-448](#). For more information, contact Paul Francis, (202) 512-4841, francis@gao.gov.

DEFENSE ACQUISITIONS

Progress Made in Fielding Missile Defense, but Program Is Short of Meeting Goals

What GAO Found

MDA made progress in developing and fielding the BMDS during Block 2006 but fell short of meeting its original goals. Specifically, it fielded additional assets such as land-based interceptors and sea-based missiles and upgraded other assets, including Aegis BMD-equipped ships. It also met most test objectives, with a number of successful tests conducted. As a result, fielded capability has increased. On the other hand, it is difficult to assess how well BMDS is progressing relative to the funds it has received because fewer assets were fielded than originally planned, the cost of the block increased by at least \$1 billion, some flight tests were deferred, and the performance of the fielded system remains unverified. In particular, GAO could not determine the full cost of Block 2006 because MDA continued to defer budgeted work into the future, where it is no longer counted as a Block 2006 cost. Also making cost difficult to assess is a work planning method—referred to as level of effort—used by contractors that does not link time and money with what is produced. When not appropriately used, level-of-effort planning can obscure work accomplished, portending additional cost in the future. MDA is working to minimize the use of this planning method—a needed step as contractors overran their fiscal year 2007 budgets. Performance of the fielded system is as yet not verifiable because too few tests have been conducted to validate the models and simulations that predict BMDS performance. Moreover, the tests that are done do not provide enough information for DOD's independent test organization to fully assess the BMDS' suitability and effectiveness.

GAO has previously reported that MDA has been given unprecedented funding and decision-making flexibility. While this flexibility has expedited BMDS fielding, it has also made MDA less accountable and transparent in its decisions than other major programs, making oversight more challenging. MDA, with direction from Congress, has taken several steps to address these concerns. MDA implemented a new way of defining blocks—its construct for developing and fielding BMDS increments—that should make costs more transparent. For example, under the newly-defined blocks, MDA will no longer defer work from one block to another. Accountability should also be improved as MDA will, for the first time, estimate unit costs for selected assets and report variances from those estimates. DOD also chartered a new board with more BMDS oversight responsibility than its predecessor, although it does not have approval authority for some key decisions made by MDA. Finally, MDA will begin buying certain assets with procurement funds like other programs. This will benefit transparency and accountability, because procurement funding generally requires that assets be fully paid for in the year they are bought. Previously, MDA, with Congressional authorization, was able to pay for assets incrementally over several years. Additional steps could be taken to further improve oversight. For example, MDA has not yet estimated the total cost of a block, and therefore, cannot have its costs independently verified—actions required of other programs to inform decisions about affordability and investment choices. However, MDA does plan to estimate block costs and have them verified at some future date.