



Highlights of [GAO-08-608T](#), a testimony before the Subcommittee on Strategic Forces, Committee on Armed Services, United States Senate

Why GAO Did This Study

Funded at \$8 billion to nearly \$10 billion per year, the Missile Defense Agency's (MDA) effort to develop and field a Ballistic Missile Defense System (BMDS) 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. By law, GAO annually assesses MDA's progress.

This testimony is based on GAO's March 2008 report that addressed 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. 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 made several recommendations that included (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 GAO's 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-08-608T](#). For more information, contact Paul Francis, (202) 512-4841, francis@ga.gov.

DEFENSE ACQUISITIONS

Assessment of Progress Made on Block 2006 Missile Defense Capabilities and Oversight

What GAO Found

In the past year, MDA has fielded additional and new assets, enhanced the capability of some existing assets, and achieved most test objectives. MDA did not meet the goals it originally set for the block. Ultimately, MDA fielded fewer assets, increased costs by about \$1 billion and conducted fewer tests. Even with the cost increase, MDA deferred work to keep costs from increasing further, as some contractors overran their fiscal year 2007 budgets. Deferring work obscures the cost of the block because such work is no longer counted as part of Block 2006. The cost of the block may have been further obscured by a way of planning work used by several contractors that could underestimate the actual work completed. If more work has to be done, MDA could incur additional costs that are not yet recognized. MDA also sets goals for determining the overall performance of the BMDS. Similar to other DOD programs, MDA uses models and simulations to predict BMDS performance. GAO was unable to assess whether MDA met its overall performance goal because there have not been enough flight tests to provide a high confidence that the models and simulations accurately predict BMDS performance. Moreover, the tests that have been 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 some direction from Congress, has taken significant steps to address these concerns. MDA implemented a new way of defining blocks—that 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 executive board with more BMDS oversight responsibility than its predecessor. Finally, MDA will begin buying certain assets with procurement funds like other programs. This will benefit transparency and accountability, because to use procurement funding generally means that assets must be fully paid for in the year they are bought. Previously, Congress authorized MDA to pay for assets incrementally using research and development funds. Some oversight concerns remain, however. For example, MDA has not yet estimated the total cost of a block, and therefore, cannot have a block's 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. Also, the executive board faces a challenge in overseeing MDA's large technology development efforts and does not have approval authority for some key decisions made by MDA.