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FORCE STRUCTURE

Better Management Controls Are Needed to Oversee the Army's Modular Force and Expansion Initiatives and Improve Accountability for Results

G A O

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Why GAO Did This Study

The Army's modular force restructuring is a multiyear $52.5 billion initiative to redesign operational Army units. The Army also plans to spend $70 billion through fiscal year 2013 to expand the force by 74,200 military personnel. Congress mandated that GAO report annually through fiscal year 2012 on the Army's modular force. For this report, GAO assessed to what extent the Army has (1) implemented and established management controls for its modular force and force expansion initiatives, and (2) assessed its modular unit designs. GAO assessed Army plans and funding requests; visited brigades that were reorganizing; and examined key Army planning documents, performance metrics, and testing plans. Both brigade combat teams and support brigades were visited, including units from the active component Army, Army National Guard, and Army Reserve.

What GAO Recommends

GAO recommends that (1) the Army develop a comprehensive strategy and funding plan to improve accountability for staffing and equipping the modular force; (2) the Army develop a plan for assessing the modular force designs; and (3) DOD should review the Army's strategy, funding plan, and assessment plan. DOD concurred with GAO's recommendations; however, DOD's actions for assessing unit designs did not fully meet the intent of GAO's recommendations. GAO added a matter for congressional consideration to require the Army to more fully assess modular force designs in full spectrum warfare.

To view the full product, including the scope and methodology, click on GAO-08-145. For more information, contact Janet St. Laurent at (202) 512-4402 or stlaurentj@gao.gov.

What GAO Found

The Army is making progress in establishing modular units but has not established sufficient management controls to provide accountability for results and facilitate transparency of the Army's overall funding needs for modular units and force expansion. By the end of fiscal year 2007, the Army established 138 of 190 planned modular units; however, all 10 units GAO visited that had converted to modular designs continue to have some equipment and personnel challenges, including shortfalls in key equipment, and mismatches in skill levels and specialties of assigned personnel. Although the Army originally estimated it could largely equip and staff modular units by spending $52.5 billion through fiscal year 2011, the Army now believes it will require additional funding to equip modular units through fiscal year 2017. However, the Army has not identified how much additional funding it may need to fully equip units, nor has it provided sufficient information on progress to date. In addition, the Army is seeking multiple sources of funding for modular unit and force expansion equipment purchases without linking the funding to its modular unit design requirements, thus complicating decision makers' ability to assess the Army's progress in fully equipping the modular force. GAO's work has shown that major transformation initiatives have greater chance of success when their funding plans are transparent, analytically based, executable, and link to the initiative's implementation plans. Effective management controls are needed to establish these links. Office of Management and Budget (OMB) guidance explains that it is management's responsibility to take systematic and proactive measures to develop and implement management controls that ensure accountability for results. Without better controls, decision makers will have difficulty assessing the Army's progress in meeting its goals, knowing what resources will be required to equip and staff modular units, and balancing funding requests for these initiatives with other competing priorities.

The Army is evaluating and applying lessons learned from its ongoing counterinsurgency operations, but it lacks (1) a comprehensive assessment plan to determine whether fielded modular unit designs meet the Army's original goals for modular units across the full spectrum of low- and high-intensity warfare, and (2) outcome-oriented metrics that help to measure progress in achieving the goals of the modular force. The Army evaluated the experiences of modular units deployed to Iraq and Afghanistan and has made some changes in unit designs based on these lessons; however, the Army continues to lack a plan for assessing modular units in high-intensity combat operations. Further, the Army has not yet defined outcome-oriented metrics against which it could assess progress, although GAO previously made this recommendation and OMB also notes this in its performance assessment reporting. As a result, the Army does not have a clear way to measure the extent to which it is achieving the benefits it initially envisioned when it designed the modular force and that it is doing so in a manner that supports DOD joint warfighting capabilities.

_____ **United States Government Accountability Office**

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United States Government Accountability Office
Washington, DC 20548

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Congressional Committees

Two major Army initiatives—one to restructure the Army and another to expand its size—will have significant implications for the Army's combat capabilities and funding requests in the coming years. The Army's modular force restructuring—-sometimes referred to as Army Modularity—is a multiyear undertaking that involves the total redesign of the operational Army and was initiated, in part, to support current operations in Iraq and Afghanistan. In early 2007, the Department of Defense (DOD) announced a plan to expand the size of the Army in response to the high pace of operations the Army has experienced over the past several years and the need to increase capacity to meet future strategic demands. Under the Army's new construct, the Brigade Combat Team, rather than a division, will be the centerpiece of the Army's combat forces and the lowest unit of organization capable of self-sustained operations. The Army's modular restructuring initiative includes its entire operational force consisting of active, National Guard, and reserve units. The Army obtained Secretary of Defense approval to spend $52.5 billion on this initiative through fiscal year 2011.[1] To date, Congress has appropriated over $18 billion for Army modularity, and DOD has requested an additional $10.4 billion in the President's fiscal year 2008 budget request.

In addition, to meet the increasing strategic demands and to help reduce stress on the force, the Secretary of Defense plans to expand the Army from a total of 1,037,000 to 1,112,000 active and reserve soldiers by fiscal year 2013—an increase of 74,200 military personnel. This planned expansion includes building six additional, active modular combat brigades plus an undetermined number of modular support units, which requires a substantial increase in funding for personnel, equipment, and infrastructure. Currently, the Army estimates this expansion may require $70 billion or more in increased funding through fiscal year 2013 and a significant amount in annual funding thereafter to sustain the expanded Army. The President's fiscal year 2008 budget request, currently before Congress, contains $7.7 billion specifically to expand the size of the Army.

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[1]This figure does not include Army expansion costs.

Taken together, these initiatives will entail significant costs that must be carefully evaluated in the context of both the current and future strategic environment and weighed against other funding priorities. In January 2007, we testified before the House Committee on Armed Services, Subcommittee on Military Personnel, that federal agencies have a responsibility to provide sufficient transparency over significant decisions affecting requirements for federal dollars so that Congress can effectively evaluate the benefits, costs, and risks.

We initiated a body of work to assist Congress in assessing the Army's plans for its modular force restructuring as well as plans to expand the size of the force. Because of the cost and magnitude of the Army's modular force initiative, and broad congressional interest, we initially began work analyzing both the force structure and cost implications of the Army's move to a modular force under the Comptroller General's authority to conduct evaluations on his own initiative. Our work resulted in two published reports and two congressional testimony statements.[2] We recommended that the Army develop a detailed plan estimating the costs of establishing modular units; provide details about the Army's equipping strategy, including a comparison of equipment plans with unit design requirements; and develop performance metrics and plans for conducting further evaluation of modular designs.

The John Warner National Defense Authorization Act for Fiscal Year 2007 directed the Comptroller General to report annually through fiscal year 2012 to the congressional defense committees an assessment of the Army's progress in equipping and staffing modular units in the regular and reserve components, the use of funds by the Army for equipping and staffing its modular units, and progress by the Army in conducting further testing and evaluation of the Army's modular unit designs. In accordance with this legislative mandate for fiscal year 2007, we briefed your offices in March 2007 and April 2007 on our preliminary observations. This report expands on the information reported in those briefings. We are submitting this

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[2]See the following GAO reports and testimony statements: GAO, *Force Structure: Actions Needed to Improve Estimates and Oversight of Costs for Transforming Army to a Modular Force*, GAO-05-926 (Washington, D.C.: Sept. 29, 2005); *Force Structure: Army Needs to Provide DOD and Congress More Visibility Regarding Modular Force Capabilities and Implementation Plans*, GAO-06-745 (Washington, D.C.: Sept. 6. 2006); *Force Structure: Preliminary Observations on Army Plans to Implement and Fund Modular Forces*, GAO-05-443T (Washington, D.C.: Mar. 16, 2005); and *Force Structure: Capabilities and Cost of Army Modular Force Remain Uncertain*, GAO-06-548T (Washington, D.C.: Apr. 4, 2006).

report to you because of your oversight responsibilities on defense matters. For this report, we assessed to what extent the Army has (1) implemented its modular force initiative and established management controls that provide transparency for assessing progress and funding for equipping modular units and expanding the force, and (2) developed a comprehensive plan to assess its modular unit designs.

To determine the extent to which the Army has implemented its modular force initiative and established management controls that provide transparency for assessing progress and funding for equipping modular units and expanding the force, we reviewed current Army plans, funding requests, and reports to Congress on Army Modularity and the Army expansion initiatives. We assessed the completeness of these plans and reports and analyzed to what extent Army funding requests were linked to the Army's modular design requirements, particularly for the procurement of new equipment. We supplemented this information with visits to 10 brigades that were already reorganized or were in the process of reorganizing to gain an understanding of the Army's progress in organizing, staffing, and equipping these brigades. The brigades we visited included Brigade Combat Teams as well as the Combat Aviation and Sustainment Multi-Function Support Brigades in the active component Army, Army National Guard, and Army Reserves. We selected these brigades in order to compare brigades of the same design within the different components and discuss progress in meeting Army goals with staff from each of the components. While the Brigade Combat Teams are only in the active Army and National Guard, the Multi-Function Support Brigades we selected to assess have units in the regular Army, National Guard, and Army Reserve components.

To analyze the Army's approach for assessing its modular designs, we examined key Army planning documents, and lessons learned, and discussed objectives, performance metrics, and testing plans with Army officials. We compared the Army's current methods of assessing its modular units with methods used by high-performing organizations, drawing from our prior work evaluating the performance of organizations that have undertaken significant reorganizations. Finally, we analyzed the extent of the Army's progress in developing outcome-related metrics and evaluating modular unit performance across the full spectrum of operations. We conducted our review in accordance with generally accepted government auditing standards from August 2006 through August 2007 and determined that the data used were sufficiently reliable for our objectives. The scope and methodology used in our review are described in further detail in appendix I.

Results In Brief

The Army is making progress in establishing modular units in the active and reserve components, but has not established sufficient management controls to provide accountability for results and transparency of overall funding needs for establishing modular units and expanding the force. By the end of fiscal year 2007, the Army established 138 of its 190 planned modular units. However, all 10 modular units we visited continue to have some equipment and personnel challenges, including shortfalls in key equipment items, and mismatches in skill levels and specialties of assigned personnel. Also, the Army's funding plan is not fully synchronized with its schedule for establishing units. Moreover, neither the Office of the Secretary of Defense (OSD) or the Army has implemented our past recommendations to enhance accountability for achieving the planned benefits of a modular force. As a result, it is difficult to gauge the Army's progress in moving toward its goal of fully staffing and equipping units in both the active and reserve components. In addition, although the Army estimated in 2004 that it could largely equip and staff modular units by spending $52.5 billion through fiscal year 2011, the Army now believes it will require additional funding through fiscal year 2017 to fully equip its units. Our analysis shows that the Army believes it will need additional funding to fully equip modular units because its $52.5 billion funding plan

- was developed before some modular unit designs had been finalized;
- assumed that Army National Guard and reserve units would retain some older models of equipment that were not comparable to the active component's equipment, whereas the Army has recently learned from its experience in Iraq that all deploying units need to have modern equipment; and
- assumed that significant quantities of equipment would be returned from Iraq in good enough condition to help equip modular units.

Army officials have not fully identified the amount of additional funds needed to fully equip Army modular units but told us they plan to request funds for additional equipment needs beyond fiscal year 2011 incrementally through DOD's annual budget process. However, in the absence of a complete cost estimate, the Army will not be in a good position to identify and provide transparency to Congress of its total funding needs. Moreover, the Army is seeking a combination of regular and supplemental appropriations to fund its expansion and accelerate modular conversions, which further complicates decision makers' ability to obtain a full picture of the Army's needs for both initiatives and understand how these requests are linked and will contribute to meeting the Army's goals. Our work has shown that major transformation initiatives have a greater chance of success when their funding plans are

transparent, analytically based, executable, and link to the initiative's implementation plans. Effective management controls are needed to establish such linkage. Office of Management and Budget (OMB) guidance explains that it is management's responsibility to take systematic and proactive measures to develop and implement management controls that ensure accountability for results. Without improvements to its management controls, the Army will be unable to fully assess the costs of equipping modular units and expanding the force, and quantify progress in equipping units to meet modular unit requirements. Lacking such controls, senior DOD leaders and Congress will be limited in their ability to evaluate future funding requests, assess the Army's progress, and weigh near-term Army requirements with long-term transformation initiatives. We are recommending that the Secretary of Defense require the Army to (1) develop a plan that fully identifies funding needs based on the Army's requirements for staffing and equipping the modular force and report its estimate to Congress, and (2) provide management controls for measuring progress. We are also recommending that the Deputy Secretary of Defense review the Army's plans and develop an updated Office of the Secretary of Defense funding plan, consistent with the department's overall priorities and current and expected resource levels, and report its results to Congress.

While the Army is evaluating lessons learned from its ongoing counterinsurgency operations and applying these lessons to identify necessary changes to its modular designs, it lacks (1) a comprehensive testing and evaluation plan to determine whether fielded modular unit designs meet the Army's original goals for modular units across the full spectrum of operations and (2) outcome-oriented metrics on the benefits the Army expected to achieve with its modular restructuring. First, in seeking approval to establish modular units, the Army identified a number of planned benefits associated with them, such as that they would be as effective in combat as the Army's division-based brigades. However, the Army has limited its evaluations to the performance of modular units during pre-deployment exercises and counter-insurgency operations and not across the full spectrum of combat operations that include large-scale, high-intensity combat operations. As a result, the Army does not have a clear way to measure the extent to which new modular brigades are as effective as its older brigades under a range of conditions. Although we previously recommended that the Army develop a more comprehensive test and evaluation strategy, the Army has not taken action because it believes its current efforts are sufficient in light of its focus on managing ongoing operations. However, officials with the Army's Training and Doctrine Command have identified as a challenge the need for a broader-

based assessment of the Army's modular unit designs and the Army Science Board and U.S. Army Infantry Center have identified potential capability gaps.[3] Furthermore, methodical testing, exercising, and evaluation of new doctrines and concepts is an established practice throughout the military. Until these efforts are expanded to include a wider range of potential missions, the Army may miss opportunities to further strengthen its designs. Second, with respect to outcome-oriented metrics, we previously recommended that the Army develop these metrics to which the Army responded it would explore the development of expanded metrics; but the Army has not taken specific action on our recommendation. A 2005 program assessment by OMB noted that the Army's current metrics are output-related (i.e., how many units have been transformed) as opposed to outcome-related. As a result, the Army does not have a clear way to measure the extent to which it is achieving desired benefits. Therefore, we are recommending that the Secretary of Defense require the Army to develop a comprehensive assessment, which includes steps to evaluate modular units under high-intensity combat and provide oversight for the Army's assessment program.

In commenting on a draft of this report, DOD concurred with our recommendations to (1) direct the Army to develop a comprehensive strategy and funding plan, (2) task the Director, Program Analysis and Evaluation, to review and assess the Army's plan to ensure that the plan links funding needs to requirements, (3) revise the existing DOD approved funding plan and communicate funding requirements to Congress, and (4) have DOD include additional exhibits in its annual budget submissions which show what requirements the funding request will fulfill and what requirements remain to be funded. We agree that the steps DOD plans to take in response to these recommendations, if fully implemented, will introduce more effective oversight and management controls of the Army's initiative within the Department, and will better inform the Congress of the Army's progress in staffing and equipping the modular force. DOD also concurred with our two recommendations directing (1) the Secretary of the Army to develop a comprehensive assessment plan that includes steps to evaluate modular units in full spectrum combat operations and (2) requiring DOD to oversee the Army's assessment program. However, DOD commented that it believed that the Army and

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[3]The Army's Training and Doctrine Command is, among other things, responsible for ensuring that the modular force it designs is capable of conducting operations across the full spectrum of warfare.

DOD were already evaluating modular units in full spectrum operations via ongoing Army processes and did not indicate what, if any, additional actions it would take to develop a comprehensive assessment plan. We continue to believe that the Army should develop and execute a comprehensive analysis plan to assess its modular force designs and that DOD should be overseeing the Army's assessment plan. Without such a plan, DOD may not be able to fully gauge the need for additional refinements in its modular unit designs. For this reason, we are adding a matter for congressional consideration to require the Army to develop a comprehensive assessment plan for the modular force and require OSD to review the plan and transmit it to Congress. DOD's comments are in appendix II and our evaluation of its comments is on page 33.

Background

The Army's modular restructuring initiative began in 2004 as part of the overall Army transformation initiative. The foundation of modular restructuring is the creation of new, standardized, modular units that change the Army's legacy division-based force structure to smaller, more numerous brigade formations embedded with significant support elements. These new modular Brigade Combat Teams and Multi-Functional Support Brigades are designed to be stand-alone, self-sufficient units that are more rapidly deployable and better able to conduct joint and expeditionary combat and support operations than their larger division-based predecessors. These units, along with Functional Support Brigades and modular Headquarters Units, comprise the Army's new modular force. In most cases, modular brigades require some new modern equipment and a different personnel skill level mix than the earlier brigades they replace. As opposed to the Army's legacy units, the standardized modular unit designs are being implemented in the National Guard and Army Reserves with the same organizational structure, equipment, and personnel requirements.

During the development of the new modular Brigade Combat Team designs, the Army Chief of Staff directed the Army to develop designs that would be "as capable as" the legacy designs the Army wanted to replace. The Army, via its Task Force Modularity organization working under the Army's Training and Doctrine Command, approved an initial Brigade Combat Team design, which was assessed and approved by the Army Chief of Staff as "good enough" for the Army's modular restructuring. The Army made this decision based upon the designs' performance during combat simulations and scenario-driven table-top exercises, the Army's

ability to resource the unit designs within its equipment fielding plans and existing industrial capacity, and the Army's ability to quickly stand up new brigades and restructure its existing brigades by fiscal year 2011.

The Army's approved designs were similar to modified versions of the legacy Brigade Combat Team organization the Army previously employed when it would "task organize" units within its legacy divisions and assign them to a division's combat brigades prior to deploying the division for combat operations. These task-organized brigades would be temporarily expanded with additional battalion and company-sized units that provided additional combat support and combat service support capabilities, allowing the brigade to conduct self-sustained combat operations. By permanently structuring a Brigade Combat Team with these capabilities, the Army eliminated the need to task organize combat units. In addition, the Army believed it would have considerable advantages in operations by ensuring these units worked, trained, and deployed together.

The Army also considered DOD's strategic plan as it restructured to a brigade-based force. For example, the Army's Brigade Combat Team designs were intended to be effective across the full spectrum of operations and warfare including global war, major theater war, smaller scale contingencies, insurgency/counter-insurgencies, and stability and support operations. DOD's most recent strategic plan, the 2006 Quadrennial Defense Review, now refers to Army combat power in terms of Brigade Combat Teams rather than number of divisions, consistent with the Army's new structure. The Army's Training and Doctrine Command (TRADOC) is responsible for analyzing whether the modular force is capable of successfully conducting operations required across the full spectrum of warfare. TRADOC does this by using its analytical centers, such as the TRADOC Analysis Center, to analyze the capabilities of the modular design and make design changes when deemed necessary and approved by Army headquarters.

The Army's original restructuring plan called for a total of 43 active component Brigade Combat Teams—33 restructured from existing combat brigades and 10 newly created brigades. These 43 active Brigade Combat Teams would be joined with 34 restructured National Guard brigades, giving the Army a total of 77 modular Brigade Combat Teams. This plan was modified by the 2006 Quadrennial Defense Review, which reduced the number to a total of 70 Brigade Combat Teams consisting of 42 active Army and 28 National Guard brigades.

Since the Army introduced its modular restructuring initiative, the Army has adjusted its cost estimate and changed the scope of its plans for restructuring its operational force several times. In January 2004, the Army developed a rough order of magnitude estimate which indicated it would cost $20 billion to restructure the Army's existing combat brigades and build additional ones for anticipated overseas combat rotations. This estimate was updated 6 months later by adding $8 billion to restructure the National Guard divisions and brigades into modular Brigade Combat Teams. The Army has since increased the scope of its modular restructuring initiative to include its entire operational force structure and in late 2004 obtained Deputy Secretary of Defense approval to spend $52.5 billion on this initiative through fiscal year 2011.

A year after the Quadrennial Defense Review, in February 2007, the President submitted his fiscal year 2008 budget request to Congress that included a plan to increase Army military personnel by 74,200 over the next 5 years and increase the number of brigades. The plan would increase active Army end strength by 65,000 personnel to 547,400, Army National Guard end strength by 8,200 personnel to 358,200, and Army reserve end strength by 1,000 to 206,000. Army officials have stated this plan will add six additional active Army Brigade Combat Teams to the 42 brigades called for in the 2006 Quadrennial Defense Review, giving the Army a total of 76 Brigade Combat Teams. The Army's preliminary cost estimate indicates that expanding the Army will require approximately $70.2 billion from fiscal year 2007 through 2013 for personnel, equipment, operations, maintenance, and facility costs.

Our previous reports on the Army's modular restructuring initiative included several recommendations intended to improve the information DOD provides Congress for making decisions on Army modularity. In our September 2005 report, we recommended that the Army provide Congress a detailed plan estimating the costs of modularity and develop an approach for tracking modular transformation costs that clearly identifies obligations for the modular force.[4] In our September 2006 report, we recommended that DOD direct the Army to provide Congress with details about the Army's equipping strategy, including a comparison of equipment

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[4]GAO, *Force Structure: Actions Needed to Improve Estimates and Oversight of Costs for Transforming Army to a Modular Force*, GAO-05-926 (Washington, D.C.: Sept. 29, 2005).

plans with unit design requirements.[5] In another of our recommendations, we suggested that DOD direct the Army to develop a comprehensive plan for assessing progress toward achieving the benefits of a modular force, to include specific, quantifiable performance metrics and plans and milestones for conducting further evaluation of modular designs.

In addition to our work on the Army's modular restructuring initiative, we have recently completed work on other related Army issues. In August 2007, we issued a report on the Army and Marine Corps reset programs, which recommends that DOD improve its reporting of obligations and expenditures for resetting equipment and assess the Army and Marine Corps approaches for resetting equipment to ensure priority is given to address equipment shortages in the near term to equip units that are preparing for deployment.[6] We have also assessed the Army's modular brigade training strategy and recommended that the Army take a series of actions to assess unit training and identify funding needs by developing specific goals and metrics and revising its funding model.[7] This same report also recommended that the Army revise its training strategy to account for the high level of operational demands, clarify the capacity modular units require at the combat training centers, and complete testing of its exportable training capability to verify it is the most appropriate approach to meet the additional capacity requirements for training modular units.[8] Finally, we recently provided a classified report to both the House and Senate Armed Services Committees which assessed the Army's current readiness challenges and offered a series of recommendations to improve Army unit readiness.

The Army's modular restructuring involves substantial resources for which management controls are needed in order to provide accountability for

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[5]*GAO, Force Structure: Army Needs to Provide DOD and Congress More Visibility Regarding Modular Force Capabilities and Implementation Plans,* GAO-06-745 (Washington, D.C.: Sept. 6. 2006).

[6]GAO, *Defense Logistics: Army and Marine Corps Cannot Be Assured Equipment Reset Strategies Will Sustain Equipment Availability while Meeting Ongoing Operational Requirements,* GAO-07-814 (Washington, D.C.: Aug. 2007).

[7]GAO, *Military Training: Actions Needed to More Fully Develop the Army's Strategy for Training Modular Brigades and Address Implementation Challenges,* GAO-07-936 (Washington, D.C.: Aug. 2007).

[8]GAO-07-936.

results. Guidance issued by OMB [9] explains that the proper stewardship of federal resources is an essential responsibility of agency managers and staff. Federal employees must ensure that federal programs operate and federal resources are used efficiently and effectively to achieve desired objectives. Also, management control should be an integral part of the entire cycle of planning, budgeting, managing, accounting, and auditing. The Army's initiative to establish modular units is a major transformation effort that is considered to be the Army's most extensive restructuring since World War II. OMB guidance explains that as agencies develop and execute strategies for implementing or reengineering agency programs and operations, they should design management structures that help ensure accountability for results.[10]

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[9] *OMB, Circular A-123, Management's Responsibility for Internal Control, Revised* (Washington, D.C.: Dec. 2004).

[10] In addition to the OMB guidance, GAO has issued *Standards for Internal Control in the Federal Government,* GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999). Both OMB and GAO consider "internal control" to be synonymous with "management control." GAO explains that internal control helps government program managers achieve desired results through effective stewardship of public resources. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives in support of performance-based management. Throughout this document we will use the term management control.

Modular Restructuring Is Progressing, but the Army Lacks Sufficient Management Controls to Provide Decision Makers with Complete and Transparent Information to Gauge Progress and Assess Funding Requirements

The Army is making progress in transforming its operational force into modular units but has not established sufficient management controls to provide accountability for results and facilitate transparency of its overall funding needs for modular units and force expansion. Additionally, the Army has substantially revised its timelines for fully staffing and equipping its modular units. The Army established 138 of 190 planned modular units by the end of fiscal year 2007. However, the 10 units we visited were experiencing some equipment and personnel shortages. Moreover, because the Army's funding plan is not transparent and fully synchronized with its schedule for establishing units, it is difficult to gauge the Army's progress in moving toward its goal of fully staffing and equipping units in both the active and reserve components. In addition, although the Army's 2004 cost estimate of $52.5 billion was initially expected to largely equip and staff its modular units by fiscal year 2011, an as yet undetermined amount of additional funding will be needed through 2017, according to Army officials. This change has occurred because the Army's earlier estimate had limitations and was built on several assumptions that no longer appear valid. Although we previously recommended that the Army update its cost estimate, the Army has not yet identified the full costs of equipping modular units. Moreover, DOD and congressional oversight of Army plans and progress has become more complicated because the Army has requested funding for its modular force initiative and force expansion plan using multiple sources of funding which do not clearly show the linkage between funding needs, progress to date, and the Army's requirements. Our work has shown that successful transformation initiatives have funding plans that are transparent, analytically based, executable, and link to the initiative's implementation plans. This requires effective management controls that provide accountability for the quality and timeliness of initiatives' performance, as well as cost. OMB guidance explains that it is management's responsibility to take systematic and proactive measures to develop and implement management controls that ensure accountability for results. Lacking sufficient controls, DOD may be limited in its ability to manage resources effectively and reduce risk to the force because its does not have the complete picture of the Army's resource requirements going forward and cannot weigh these against other competing priorities in order to provide a balanced and affordable force across all service components.

The Army Continues to Transform Its Operational Force into Modular Units, but Modular Units We Visited Experienced Some Challenges and Assessing Progress in Staffing and Equipping Units Is Difficult

Because of the urgency to create more units for rotations to Iraq and Afghanistan, the Army decided to reorganize units into modular brigades before funding was available to procure all of the new equipment required by modular designs. The Army's strategy has been to allocate its existing equipment, along with new equipment procured to date, to Army modular units in accordance with a conversion schedule approved by the Army senior leadership. This strategy has allowed the restructuring to proceed generally on schedule, even though the Army does not have sufficient quantities of all the equipment required by Army-approved modular unit designs. The Army plans to provide units with additional equipment as it becomes available through fiscal year 2011 under the Army's $52.5 billion funding plan ($43.6 billion of which is allocated to equipment). Additional equipment procured through other sources of funding, such as reset funds, could also be allocated to units once it enters the Army's inventory. However, because the Army's funding plan is not fully synchronized with its schedule for establishing units, it is difficult to gauge the Army's progress in moving toward its goal of fully staffing and equipping units in both the active and reserve components.

In accordance with its strategy, the Army restructured 138 of 190 modular units, about 73 percent, by the end of fiscal year 2007, as shown in table 1. Prior to the recently announced expansion plans, the Army was to have a total of 70 modular Brigade Combat Teams. For the active Army, the Army projected it will have reorganized 11 of 18 headquarters units, 38 of 42 active Army Brigade Combat Teams, and 30 of 37 active Multi-Functional Support Brigades by the end of fiscal year 2007. In the National Guard, the Army expected to have reorganized 6 of 8 headquarters units, 25 of 28 Brigade Combat Teams, and 23 of 46 Multi-Functional Support Brigades by the end of fiscal year 2007. Finally, the Army projected it will have reorganized 5 of 11 Multi-Function Support Brigades in the Army reserve by the end of fiscal year 2007.[11]

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[11]In addition the Army plans to restructure approximately 118 functional support brigades across all three components by the end of fiscal year 2011; however, details on the Army's plans for these brigades are still limited.

**Table 1: Actual and Planned Army Modular Unit Restructuring**

Component	Unit type	Total unit conversions through fiscal year 2007	Units expected to convert from fiscal year 2008 to 2011	Total planned unit conversions
Active	Headquarters units	11	7	18
	Brigade Combat Teams	38	4	42
	Multi-Function Support Brigades	30	7	37
National Guard	Headquarters units	6	2	8
	Brigade Combat Teams	25	3	28
	Multi-Function Support Brigades	23	23	46
U.S. Army Reserve	Multi-Function Support Brigades	5	6	11
Total Army	Headquarters units	17	9	26
	Brigade Combat Teams	63	7	70
	Multi-Function Support Brigades	58	36	94
	Total modular units	**138**	**52**	**190**

Source: GAO analysis of Army data. *Department of the Army, Army Transformation Report to Congress*, February 2007, and *Department of the Army, Army Campaign Plan Change 5, Annex A*, December 15, 2006.

Army officials told us these units will be organized under modular unit designs; however, it will take additional time to equip and staff units at authorized levels. As a result, Army reporting notes that reaching an (E-date) effective date for unit conversion does not imply readiness or availability for deployment.

The following figure shows the lag between restructuring units and the planned appropriation of funding for equipment totaling $43.6 billion included in the Army's modular force funding plan for fiscal years 2005 through 2011. This is the amount of equipment funding included in the Army's OSD approved plan; however, as we discuss later, it does not reflect the total funding needed to fully equip the modular force. In addition, the dotted line in this figure shows the expected lag between the planned appropriation of equipment funds and their expected delivery.

Figure 1: Time Lag between Establishing Units, Funding Equipment, and Delivering Equipment for Modular Units
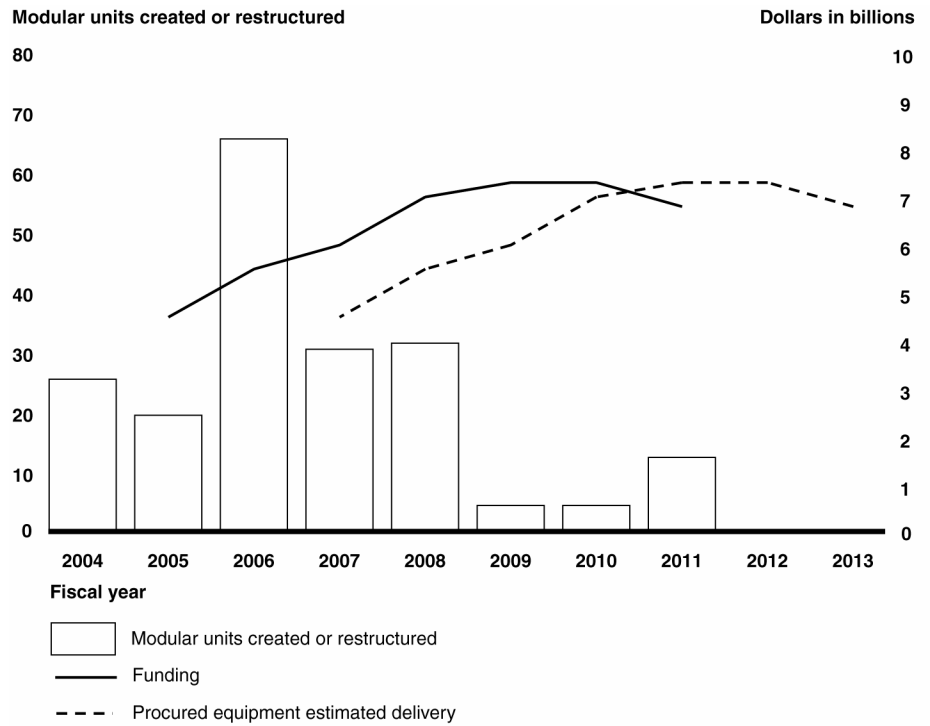
Source: GAO analysis of Army data.

Note: Data exclude additional units that will be established as part of the Army's expansion plans and additional funding that may be required beyond fiscal year 2011. The procured equipment estimated delivery is an Army planning estimate and we did not independently evaluate it.

The Army continues to allocate available equipment and personnel where required to support deployed units or units designated as the next to deploy. Any equipment or personnel resources available after that are distributed in accordance with the Army's Resource Priority List. This approach permits the Army to increase its pool of available units for operational deployments to Iraq but has resulted in the Army assuming some risk by having to distribute its equipment among more units. The Army expects this situation to improve over time as it makes progress in filling equipment shortages and is able to procure the extra equipment necessary to proceed with scheduled unit conversions.

Evidence of the Army's shortfalls in staffing and equipping can be found at the unit level where Army brigades continue to experience challenges in fully staffing and equipping their units at authorized levels. We visited and

reviewed the status of 10 modular units and found that all 10 units continue to have some equipment and personnel challenges. During our January 2007 visit to an active Army Brigade Combat Team scheduled to deploy in the 2nd quarter of fiscal year 2007, we found the unit did not have its full allowance of light and heavy tactical wheeled vehicles, blue force tracking equipment, target acquisition equipment, and field artillery equipment. Unit officials we spoke with said that most of this equipment would be filled once the unit arrives in theater and before it conducted its first operations. During our December 2006 visit to an active Army Combat Aviation Brigade, unit officials told us less than 38 percent of unit aircraft were available for training during a 4-month period in late 2006. This lack of aircraft availability was caused by the unit's 18-month reset and training schedule between deployments and its aggressive maintenance schedule, which was arranged to ensure all unit aircraft were properly maintained and upgraded prior to the next deployment. Brigade staff stated that while they were capable of preparing the unit for deployment with a compressed reset and training period, any period shorter than 18 months would not be possible for two reasons. The first reason was the lack of available aircraft for training due to mandatory pre-deployment maintenance, and the second reason was the inability to conduct sufficient pilot training. The National Guard and Army reserve units we visited had significantly greater shortfalls in equipment than their counterparts in the active component. Unit officials consistently commented that the lack of equipment had a negative impact on their unit's ability to train. We also observed that equipment deficiencies in the Sustainment Multi-Function Support Brigades were significantly worse than within the Brigade Combat Teams.

Regarding personnel issues, brigade officials were mostly concerned about mismatches in the skill levels and the specialties of their assigned soldiers rather than the overall number of personnel assigned to units. Active units we visited were generally staffed with the authorized number of soldiers, but mismatches in skill levels and specialties frequently occurred even though some of the units we visited were nearing their deployment dates. Unit officials expressed concerns that the Army was managing unit staffing only at the aggregate level whereby units were expected to "grow their own" skill-level expertise among noncommissioned and junior officer leaders. Unit officials informed us that this places a large burden on the units to ensure they can properly train and operate with lower-skill-level staff than unit authorization documents require. The National Guard and Army Reserve units we visited were concerned about obtaining soldiers trained in new specialties and retraining their existing soldiers for the new specialties required by the modular force designs. For example, National Guard officials told us that obtaining classroom training for National

Guard members was complicated by the fact that National Guard members often lacked priority for the training, and in other cases could not take time from their civilian jobs to take courses exceeding several weeks or months. Army officials said they expect it will take several years to retrain personnel in new specialties required by the Army's modular unit designs and are working with the components to develop and implement training plans.

Brigade staff also commented on the challenge of training soldiers for deployment when equipment is in limited supply. Deploying units have a higher priority for equipment and personnel while nondeployed units do not have the higher priority for either until approximately 45 days prior to their mission rehearsal exercise. On the basis of a unit's performance during this exercise, the Army will certify a unit has achieved the requisite collective skills to successfully perform its assigned military operations while deployed. However, several unit officials we spoke with stated that receiving the bulk of their equipment and personnel just 45 days before they are to conduct this exercise leaves insufficient time to ensure soldiers become proficient in operating some of the more complex technical equipment prior to the mission rehearsal exercise.

To address high demand for limited quantities of equipment and personnel, the Army's headquarters staff along with other major Army commands continues to manage key equipment for modular units. The Army maintains an extensive list of these critically managed pieces of equipment controlled by its Deputy Chief of Staff G-8 headquarters staff. These items are limited in quantity but are in high demand for deploying units as well as those units converting to the modular design. Examples of these items include the Long Range Scout Surveillance System, the Counter-Fire Radar System, and the Heavy Expanded Mobility Tactical Truck. The G-8 staff conducts a semiannual equipment and personnel synchronization conference in order to determine the requirements from units scheduled for upcoming deployment along with equipment availability given existing inventory, newly procured equipment, and equipment completing repair and reset work. Representatives from the Army's personnel management organizations also address upcoming personnel requirements. Even with these coordination efforts, some Army units still experience shortages in their authorized level of equipment and personnel, which may not be filled until shortly before the unit deploys. While the Army is working on improving its ability to provide equipment to units earlier in their training cycle, some shortages are likely to continue until the Army procures more equipment over time or the demand lessens for large numbers of Army units for overseas operations.

The Army's Cost Estimate for Funding Modular Units Contained Uncertainties and Was Built on Some Assumptions That No Longer Appear Valid

The Army's $52.5 billion cost estimate for its modular restructuring initiative, which was developed in late 2004, contained uncertainties and was based upon several assumptions that no longer appear valid. As the Army's plans for its modular force have evolved, some of the early uncertainties have now been clarified, while some of the key assumptions—particularly those that related to National Guard equipping, and the return of equipment from Iraq and Afghanistan—may no longer be valid. Army officials told us that the OSD-approved $52.5 billion funding plan will not be adequate to fully equip the modular force. As shown in table 2, $43.6 billion in this plan was specifically designated for equipment purchases from fiscal year 2005 through fiscal year 2011.[12]

Table 2: Funding Plan for Modular Restructuring, Fiscal Years 2005-2011, as Reported to OMB in January 2007

Dollars in millions

Appropriation category	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Total 2005-2011
Equipment	$4,354	$5,436	$5,907	$6,855	$7,165	$7,226	$6,666	**$43,609**
Sustainment and Training	$0	$1,022	$196	$285	$679	$744	$588	**$3,514**
Construction/ Facilities	$250	$13	$497	$461	$1,440	$1,358	$1,359	**$5,378**
Total	**$4,604**	**$6,471**	**$6,600**	**$7,601**	**$9,284**	**$9,328**	**$8,613**	**$52,501**

Source: GAO analysis of Army data.

At the time the estimate was developed, the Army's modular designs were incomplete, so budget analysts were uncertain about the exact number of personnel and how many and what type of equipment items would be needed for modular units, which contributed to the analysts' challenge in developing an accurate cost estimate. Further, because the number and composition of National Guard units had not been decided upon at the time the cost estimate was developed, budget analysts made certain assumptions about how much funding would be required by National Guard units to convert to the new modular designs. When the Army began to implement its modular restructuring initiative, it planned for the National Guard to establish 34 Brigade Combat Teams plus an additional number of support brigades. The 2006 Quadrennial Defense Review, however, recommended that the Army establish only 28 National Guard

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[12]Other GAO work related to the Army's military construction requirements and funding can be found in GAO, *Defense Infrastructure: Challenges Increase Risks for Providing Timely Infrastructure Support for Army Installations Expecting Substantial Personnel Growth*, GAO-07-1007 (Washington D.C.: Sept. 13, 2007).

Brigade Combat Teams and convert the remaining units to support brigades.

In addition to these uncertainties, the Army assumed that National Guard modular units would retain some older equipment rather than acquire the newer versions being procured for active units. However, the Army has recently found that it cannot deploy National Guard units to Iraq with older equipment since it was not compatible with the equipment being used by the active Army units. Further, maintenance personnel were not able to maintain older equipment items in theater because repair parts were difficult to obtain.

Further, from the beginning of the Army's modular restructuring initiative, the National Guard was recognized as having significant equipment shortfalls. These preexisting equipment shortfalls have been exacerbated over the past several years as National Guard units needed to transfer equipment between units to ensure deploying units were fully equipped. These equipment transfers, combined with the Army's practice of leaving significant quantities of National Guard equipment in Iraq for follow-on units, have depleted National Guard equipment stocks nationwide to less than 49 percent of requirements. As part of the Army's original $52.5 billion cost estimate, the Army dedicated $21 billion to purchase new National Guard ground equipment. However, because of the National Guard's extensive equipment requirements, the Army now plans to allocate $37 billion for National Guard equipment through fiscal year 2013. Moreover, senior Army officials have stated that this amount may not be sufficient to ensure that National Guard units are equipped to their authorized levels.

Last, the Army assumed that significant quantities of equipment would come back from Iraq and be available after some reset and repair work to be distributed to new modular units. Given the heavy use of equipment in Iraq and Afghanistan, this assumption may no longer be valid. At the time the cost estimate was developed, the Army assumed that at some point equipment would begin to rotate back from Iraq and be reset at the Army's repair depots to be redistributed to new modular units. The increased demands for equipment used in Iraq operations, however have had a dramatic effect on equipment availability. This demand reduces expected service life, creates significant repair expenses, and creates uncertainty as to whether it is economically feasible to repair and reset these vehicles.[13]

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[13]See GAO-07-831 for additional information on reset challenges.

Further, some of the up-armored vehicles currently being operated in theater may be replaced altogether by newer vehicles offering better protection at a higher cost.

The Army Has Substantially Revised Its Timeline for Fully Equipping Units but Has Not Fully Identified the Total Cost

According to senior Army staff officials, the Army cannot fully equip and staff its modular units to meet unit design requirements by its planned 2011 completion date. The Army is requesting modularity funding in line with its $52.5 billion plan, although the Army is also requesting additional funding for new initiatives to accelerate conversion of two modular brigades and to expand the size of the Army. However, Army officials have also said they plan to request additional funding for modular force equipment beyond 2011 and revise the timeline for fully equipping the modular force to 2019.[14] Given the Army's reliance on the reserve component units, senior Army staff officials said that the Army now plans to procure 100 percent of authorized levels of equipment for reserve component units as well as for the active Army units. The implication of this decision will likely be to extend procurement timelines for the additional quantities of equipment needed to equip all units to their authorized levels. Army officials said they now plan to fully equip the Brigade Combat Teams by 2015 and the Multi-Function Support Brigades by 2019, regardless of component.

The practice of providing equipment to the fully authorized level represents a departure from the Army's past practice of equipping reserve forces with less equipment than many active component units. However, for the units to be able to assist the active Army in meeting its operational requirements in Iraq and Afghanistan, and elsewhere, senior Army staff officials said this practice needed to be changed. The Army previously believed that in the event of war or a crisis, sufficient time would be available to fully equip reserve component units prior to deploying them. According to Army officials, this has proven unfounded in the current operational environments of Iraq and Afghanistan as the Army required both National Guard and Army reserve unit capabilities early in these conflicts and afterward to support the Army's continued rotation of forces. This decision will drive costs higher than anticipated as equipment costs represent the bulk of the Army's funding requests.

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[14]The Army plans to request funding through 2017 which will result in a fully equipped force by 2019.

In our September 2005 report,[15] we recommended that the Secretary of Defense direct the Army to provide Congress a detailed plan estimating the costs of modularity sufficient to provide Congress reasonable assurance that estimated costs reflect total costs of modular units as designed and tested. We made this recommendation to improve the information available to decision makers on the cost of the Army's plan and to disclose potential risk that modularity might not be implemented as planned. OSD did not comment on our report recommendation, and instead provided us with comments prepared by an Army official who stated that the Army's estimate was solid and did not include uncertainties. The Army official further commented that while there would continue to be Army modular force design changes subsequent to that estimate, these changes were normal in the course of the Army's force development process and would not substantially change the Army's estimate. Although the Army partially concurred with our September 2005 report recommendation to provide Congress a detailed cost estimate and recognized the need for regular reporting on the Army's restructuring initiative, the Army decided that its current methods for reporting to Congress were sufficient and additional information was unnecessary. We do not agree that the Army's regular reporting on its modular restructuring initiative fully addressed the requirements of our recommendation. Moreover, by not commenting on our recommendation and not requiring the Army to take positive corrective action, OSD has allowed a lack of transparency concerning total funding needs to continue, and decision makers do not have all the necessary information they need to assess funding needs and weigh competing priorities.

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[15]GAO-05-926.

The Lack of Transparency and Clear Linkages between the Army's Funding Requests, Requirements, and Implementation Plans Reflect Management Control Weaknesses and Contribute to Oversight Challenges

In addition to its modular force initiative, the Army is requesting funds for other initiatives, such as force expansion and modular brigade acceleration, using a combination of regular and supplemental appropriations. These multiple funding requests also make it difficult for DOD and congressional decision makers to assess the Army's requirements for and progress in fully equipping the modular force and establishing new units. Congress has required the Army to submit its assessment of progress in transforming to a modular force. However, while the Army is submitting regular reports to Congress in conjunction with the President's annual budget requests, these reports include lists of modular equipment to be purchased but do not include enough information to enable Congress to gauge progress in meeting modular unit requirements. For example, the reports do not compare the quantities of equipment being requested with total requirements and quantities on hand so that senior DOD officials and Congress can assess the need for the requested equipment and progress to date in procuring quantities required based on the Army's modular unit designs. As a result, these reports provide insufficient information on which to judge the extent to which the Army's proposed equipment purchases are addressing equipment requirements for the modular force. The lack of linkage between requirements, funding requests, and implementation to date impedes oversight by not providing a means to measure the progress the Army is making in filling its modular equipment requirements, and to what extent the Army is making the best use of its requested funding.

Similarly, the Army's reporting to OMB does not provide sufficient information to measure the Army's progress in equipping its modular units. In declining to implement our recommendation to provide Congress a detailed plan estimating the cost of modularity, the Army commented that the information it was reporting to Congress, as well as information provided to OMB for modularity, already provided comprehensive oversight and any additional reporting would be redundant and unnecessary. The Army commented that it regularly submitted budget and other program management information to OMB through the Office's Program Assessment Rating Tool known as "PART."[16] However, information contained in PART reinforces the need for a detailed plan estimating the modular force equipment costs. For example, the PART

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[16]The Program Assessment Rating Tool (PART) is a series of questions designed to provide a consistent approach to rating programs across the federal government. The PART uses diagnostic tools that rely on professional judgment to assess and evaluate programs across a wide range of issues related to performance.

shows that "risk for cost growth remains high" for Army modularity and that increased efficiency and cost effectiveness has not been an Army priority. On the basis of our review, we found that neither the Army's report to Congress nor the Army's reporting under PART provides evidence of specific plans, milestones, or resources required for the Army to fully staff and equip its modular units.

Congressional oversight also will be complicated by the multiple sources of funding being sought by DOD to complete the Army's modular restructuring and expansion initiatives as well as a lack of transparency into how the Army estimated these amounts. For example, as shown in table 3, DOD's fiscal year 2008 regular budget request includes funds for the Army's modular restructuring initiative, as well as the Army's newly announced force expansion plan, which will involve the creation of six Brigade Combat Teams and an unspecified number of support units. Additional funds required to expand the Army are included in the fiscal year 2007 emergency supplemental request and the fiscal year 2008 Global War on Terror supplemental request, submitted with DOD's fiscal year 2008 budget. DOD's fiscal year 2008 annual budget request includes $7.6 billion for the modular force, an amount that is consistent with the Army's existing $52.5 billion funding plan through fiscal year 2011. Funding to expand the Army draws on three different funding sources with $1.3 billion included in the fiscal year 2007 supplemental request, $3.6 billion in the fiscal year 2008 regular budget request, and $4.1 billion in the fiscal year 2008 Global War on Terror request. Additional funding to accelerate the conversion of two Brigade Combat Teams is included in two requests—$1.9 billion in the fiscal year 2008 regular budget request, and $.9 billion in the 2008 Global War on Terror request. All of these funding requests included substantial sums for Army equipment, but it remains unclear how each request will support the Army's goal of fully equipping the modular force because the Army has not provided a basis for how it computed its cost estimates, including underlying assumptions, and has not linked these estimates to modular force requirements and progress in equipping the force to date. Without a fuller explanation of these estimates, decision makers will not be in a position to assess whether the Army is estimating costs consistently and whether requested funding for these initiatives will meet, fall short of, or exceed Army requirements.

Table 3: Sources of Army Funding for Modular Restructuring and Expansion

Dollars in billions

Army Initiative	Fiscal year 2007 regular budget request	Fiscal year 2007 supplemental budget request	Fiscal year 2008 regular budget request	Fiscal year 2008 Global War on Terror budget request
Army Modular Restructuring	$6.6	$0	$7.6	$0
2 BCT Restructuring Acceleration	$0	$0	$1.9	$0.9
Army Expansion	$0	$1.3	$3.6	$4.1

Source: GAO analysis of Army data.

Further, DOD has requested other funds to meet modular brigade equipment requirements, making it even more difficult to assess the Army's progress against its plans. As shown in table 3, funding to support the recent decision to accelerate the modular force conversion of two Brigade Combat Teams in order to deploy them earlier than planned includes a request for $1.9 billion in the fiscal year 2008 budget submission and nearly $1 billion in the fiscal year 2008 Global War on Terror budget requests. We have also reported that the Army is using some of its funds appropriated for resetting equipment to accelerate achieving the Army's strategic goals under its modularity initiative.[17] DOD has not fully explained the basis for these multiple funding requests and how it distinguishes one set of requirements from the other. For example, DOD is requesting $2.8 billion to accelerate the conversion of two Army Brigade Combat Teams, but the Army's $52.5 billion funding plan for modularity also included funding for these same Brigade Combat Teams. Also, funding for DOD's plans to expand the Army is not fully reflected in the three funding requests currently before Congress, and the Army continues to refine its estimated costs. Preliminary cost estimates from the Army state this initiative may require $70 billion or more, which the Army plans to request through fiscal year 2013. Because the Army's cost estimates are still incomplete, decision makers in DOD and Congress do not know the magnitude of funding required to complete the expansion plans and restructure the Army's active and reserve units into a modular force. As a result, they will not know how to weigh those requirements against other competing priorities.

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[17]GAO-07-814.

Our work has shown that major transformation initiatives have a greater chance of success when their funding plans are transparent, analytically-based, executable, and link to the initiative's implementation plans. The scope, complexity, and magnitude of the resources required to implement the Army's modular restructuring and expansion initiatives require a high degree of fiscal stewardship. We have testified about the need for transparency, accountability, and enhanced stewardship of appropriated funds as a necessary component for the success of major military transformation efforts.[18] OMB has provided guidance to agencies to improve accountability and the effectiveness of agency programs and operations, emphasizing management's responsibility for establishing accountability for results when developing new plans to accomplish the agency's mission. Without adequate management controls over such a broad-based initiative as the Army's modular force restructuring, decision makers will not have the information they need to evaluate progress, understand tradeoffs being made, and assess risk. By directive, OSD plays a key role in providing guidance and allocating resources to initiatives such as this. First, the OSD's responsibilities include defining strategy, planning integrated and balanced military forces, and ensuring the necessary framework (including priorities) to manage DOD resources effectively for successful mission accomplishment consistent with national resource limitations. Second, OSD is responsible for the efficient management of resources, which includes conducting an annual departmentwide budget review of the services' budget requests with OMB. The Director, Program Analysis and Evaluation, plays a key role in managing departmentwide planning and budgeting by leading and supporting a "cost analysis improvement group" that has the expertise to make independent cost estimates of major spending programs to provide a comparison against service-provided estimates. By not commenting on our prior recommendations related to the cost of the Army's modular force restructuring, and not directing the Army to take positive corrective action in response to our recommendations, the OSD has missed an opportunity to improve management controls, and emphasize transparency and accountability for an initiative costing tens of billions of dollars. Further, the Army may be at risk of not being able to complete both its modular force and expansion initiatives because the Army has not provided Congress with complete cost estimates for both of these initiatives and has

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[18]Comptroller General David Walker, *Fiscal Stewardship and Defense Transformation*, GAO-07-600CG, speech before the U.S. Naval Academy, Annapolis, Maryland, (Washington, D.C.: Mar. 8, 2007).

already extended time frames for equipping modular units well into the next decade.

The Army has a responsibility to DOD and Congress for establishing effective management controls over its transformation to a modular force, particularly considering the magnitude of the dollars being requested. Management controls include the organization, policies, and procedures used by agencies to reasonably ensure that programs achieve results; resources are used consistent with agency mission; and reliable and timely information is obtained, maintained, reported, and used for decision making. Effective management controls also mean that leadership is responsive to outside audit recommendations and takes proper corrective action. The lack of a transparent linkage between the Army's modular force requirements, progress to date, and additional funding requests means that a key management control is lacking—one that holds the agency accountable for results. Without improvements to its management controls, the Army will be unable to fully assess the costs of equipping modular units and expanding the force, and quantify progress in equipping units to meet modular unit requirements.

The Army Is Applying Lessons Learned but Still Lacks a Comprehensive Approach for Assessing Modular Unit Designs and Performance

While the Army is evaluating lessons learned from its ongoing counterinsurgency operations and applying these lessons to identify changes to its modular designs, it still lacks (1) a comprehensive testing and evaluation plan to determine whether fielded modular unit designs meet the Army's original goals for modular units across the full spectrum of warfare and (2) outcome-oriented performance metrics. The Army evaluated the experiences of modular units deployed to Iraq and Afghanistan and has made some changes in unit designs based on these lessons; however, the Army continues to lack a plan for evaluating and testing modular brigades in a wide variety of situations that include high-intensity combat operations. Further, the Army has not yet defined outcome-oriented metrics against which it could assess the modular force. As a result, the Army does not have a clear way to measure the extent to which it is achieving the benefits it initially envisioned when it designed the modular force and ensure that it is doing so in a manner that is affordable and meets DOD joint war fighting capabilities.

Lessons Learned from Ongoing Operations Are Being Applied to the Current Modular Force, but the Army Lacks a Comprehensive Test and Evaluation Plan

The Army has not established a comprehensive approach to ensure its original performance goals for modular units are being met by its fielded modular designs across the full-spectrum of military operations. When a large organization implements major transformation initiatives that require substantial expenditures of resources, it is important to establish a comprehensive approach to assess the extent to which the goals of the transformation are being met. Our prior work examining organizational change and defense transformation shows that developing performance measures and criteria for assessing results is important for transforming organizations to increase their likelihood for success.[19] Additionally, our prior work shows that methodically testing, exercising, and evaluating new doctrines and concepts are an important and established practice.[20] Prior to implementing modular restructuring, the Army established specific expectations for how its modular designs would improve combat performance and operational deployment and identified significant amounts of additional resources—personnel and equipment—these units need to meet these goals. Additionally, the Army's modular restructuring initiative is about more than just providing units with additional resources; it includes new doctrinal concepts that are critical to the success of these new units.

The Army has a process to assess modular force capabilities against the requirements of current operations; however, the Army lacks a comprehensive approach to ensure its performance goals are met across the full spectrum of military operations. As part of its evaluation process, TRADOC officials formed teams that evaluate modular unit designs and make recommendations for improvements in staffing and equipping the force based on lessons learned from current operations. The lessons-learned process relies on unit evaluations that take place before, during, and after deployments to Iraq and Afghanistan. For example, on the basis of lessons learned, the Army has reconfigured some of the modular unit designs and has added additional capabilities in force protection and route clearance to counter specific threats faced by deployed units. The Army adjusted the number and skill mix of staff within its modular unit designs and changed the number and types of equipment in modular units to increase their ability to address current threats in Iraq and Afghanistan.

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[19]GAO, *Military Transformation: Additional Actions Needed by U.S. Strategic Command to Strengthen Implementation of Its Many Missions and New Organization,* GAO-06-847 (Washington, D.C.: Sept. 8, 2006).

[20]GAO-06-745.

While the Army's modular designs are being evaluated based on the operations in Iraq and Afghanistan, these are counterinsurgency or stability operations. The Army has not taken a more comprehensive approach to test and evaluate the modular force across the full spectrum of warfare, which includes high-intensity combat operations. The Army's emphasis on current operations may be understandable given the need to ensure that Army units are ready to meet the demanding requirements of ongoing operations. While operations in Iraq and Afghanistan are challenging, they represent only certain specific types of operations as opposed to the Army's broader requirements to respond to a full spectrum of joint operations. According to TRADOC officials, the biggest challenge in testing and evaluating modular unit design is in ensuring that the Army is assessing these units based on full-spectrum joint operations that are not limited to the requirements of current operations. In addition to its current operations, the Army may also be required to deploy its modular forces to face the challenge of protracted high intensity offensive or defensive combat operations instead of the counterinsurgency engagements in Iraq and Afghanistan.

The Army tested early versions of Brigade Combat Team designs via computer simulations and desktop exercises which involved a specific scenario that was neither prolonged nor characterized by large-scale, high-intensity combat operations. These tested designs were also equipped with higher levels of key equipment enablers, which so far, the Army has not yet fielded in its Brigade Combat Teams. For example, the original designs for Brigade Combat Teams included significantly greater numbers of specific key-enabler equipment, such as Unmanned Aerial Vehicles and the Long-Range Advanced Scout Surveillance System. This key-enabler equipment provided units with a more robust intelligence surveillance and reconnaissance capability allowing the modular units to detect and engage enemy positions faster than without the equipment. Because of the differences between the design tested by the Army and the current configuration of Army modular units, we recommended in our September 2006 report that the Army formulate a testing plan that includes milestones for conducting comprehensive assessments of the modular force as it is being implemented.[21] While the Army disagreed with this recommendation, believing its existing program was adequate, we nonetheless continue to believe that this recommendation has merit because of the narrow spectrum of operations being used to assess modular force designs and

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[21]GAO-06-745.

the limited nature of the original testing program that evaluated a more capable unit design that included key enabler equipment that has not yet been assigned to Brigade Combat Teams.

In addition, other organizations have released reports identifying capability gaps with the Army's modular designs that could ultimately affect the modular units' ability to operate effectively against some current and predicted threats. The Army Science Board, the department's senior scientific advisory body, released a study in 2006 asserting that Multi-Function Support Brigades are not adequately equipped or staffed for independent operations because they lack the communications and force protection equipment needed to operate without the assistance of other units. Instead of operating independently, these brigades need to rely on Brigade Combat Teams for these capabilities, which affect the Brigade Combat Team's mission capability. In March 2006, the U.S. Army Infantry Center at Fort Benning, Georgia, produced a capabilities assessment of the Infantry Brigade Combat Team, and found that these units may not have the desired capability to operate independently against heavier enemy forces, composed of tanks and other armored vehicles, because these units were lighter and did not possess sufficient anti-armor capability. Specifically, the U.S. Army Infantry Center was concerned that the Infantry Brigade Combat Teams did not have the capability to defeat enemy armored vehicles at a safe distance, or armored vehicles with advanced reactive armor or active denial systems that are currently being developed and fielded to some armies throughout the world. Without a process to evaluate modular units of all types—heavy and light combat units and support units—the Army cannot be sure that it will have the capability to operate effectively in the full-spectrum of joint combat operations.

The Army Has Not Established Outcome-Oriented Metrics for Measuring its Progress in Achieving the Benefits of a Modular Force

The Army has not established outcome-oriented metrics to ensure that its modular designs meet its original goals, support joint warfighting efforts, or are affordable given competing resourcing priorities. Transforming the Army to a more modular and deployable force requires significant resources to properly staff, train, and equip newly organized modular units at a time when the Army must staff, equip, and train units deploying to Iraq and Afghanistan. The Army proceeded with this modular restructuring effort in the face of these resource challenges because it expected this transformation to achieve certain benefits. The ultimate goals of its modular restructuring efforts, according to the Army's Strategic Planning Guidance, were to achieve output-oriented goals, such as increasing the rotational pool of ready units by at least 50 percent and outcome-oriented

objectives, such as enhancing combat power by at least 30 percent in the active component. While the Army's primary modular force transformation plan—the Army Campaign Plan—includes output-oriented metrics, such as the number of units organized each year, the Army has not developed important outcome-oriented performance measures and criteria to measure success and track the progress it is making toward its goals, such as assessing the amount of combat power generated by these units.

Our prior work examining organizational change and defense transformation shows that developing outcome-oriented performance measures and criteria for assessing progress an organization is making toward its goals is important for transforming organizations.[22] Because of the value of these assessments, we recommended that the Army develop specific, quantifiable performance metrics to measure progress toward meeting the goals and objectives established in the Army Campaign Plan.[23] The Army partially concurred with our recommendation, but to date, has not taken any action, and according to an OSD official, OSD has not required it to do so. OMB in its Program Assessment Rating Tool noted the Army's current metrics for modularity are output-related rather than focused on outcomes. According to OMB, an outcome metric answers the question "What is the program's goal or purpose?" Without developing outcome-related metrics, the Army will be unable to measure whether its modular units are achieving their originally envisioned benefits.

OSD Oversight of the Army's Modular Force Transformation Initiative Is Needed to Ensure Efforts Support Joint Warfighting and Provide Benefits That Outweigh Costs

Without a comprehensive evaluation of the Army's modular force, it is not clear whether the Army's plans for the modular force are compatible with the overall development of joint force capabilities and provide sufficient benefits that outweigh their costs. OSD has responsibility for providing the best allocation of DOD's resources to provide for joint warfighting capabilities by defining strategy, planning integrated and balanced military forces, ensuring the necessary framework (including priorities) to manage DOD resources effectively in order to accomplish DOD's mission consistent with national resource limitations, and providing decision options to the Secretary of Defense. While the Army and not OSD is primarily responsible for modular restructuring, some features of the Army's modular force designs may affect other service roles and missions, which suggest that OSD may need to become more involved in Army

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[22] GAO-06-847.

[23] GAO-06-745.

modular design efforts. For example, Unmanned Aerial Vehicles (UAV) are critical enablers in the Army's modular force designs, but the Air Force had advocated that it be designated executive agent for all mid-range and higher range UAVs. Further, as part of its modular transformation, the Army is exploring the potential for adding precision-guided artillery to its designs, in lieu of current reliance on joint-fires, such as the precision strike capability provided by other services. Given the fact that there may be duplication of effort and resources in these areas, DOD may need to consider how to ensure the Army is capable of meeting its requirements for UAV coverage and precision fires while minimizing the potential for unnecessary duplication and wasted resources among the joint force. Finally, Congress required the Army to seek out the views of the combatant commanders, the final end users of Army units, on the Army's modular force, but the Army has yet to transmit this assessment to Congress. To date, according to an OSD official, OSD has not required the Army to develop outcome-related metrics or develop a comprehensive plan for evaluating modular units. Without further analysis of the Army's modular force initiative in the context of joint force capabilities, OSD will not be in a position to evaluate the Army's modular force plans and funding requests.

Conclusions

The Army's modular restructuring is a major undertaking requiring many billions of dollars and therefore needs sound management controls. The lack of linkage between the Army's funding requests, progress in equipping and staffing units, and its modular design requirements contribute to oversight challenges. This lack of linkage impedes oversight by DOD and congressional decision makers by not providing a means to measure the Army's progress in filling its modular equipment requirements or to inform budget decisions. The Army currently plans to request additional funding from Congress and extend its timeline to equip its modular units; however, it has not provided a complete cost estimate, or provided detailed information, on what specific requirements remain to be filled. Moreover, the Army has recently announced a plan to expand its force, which will lead to requirements to fund new modular units at the same time it is trying to implement its original restructuring plans. Until the Army provides a comprehensive plan outlining its requirements for its modular restructuring and expansion initiatives, identifying progress made to date, and detailing additional equipment and other resources required, OSD and Congress will not be in a sound position to determine the total costs to complete modular restructuring and expand the Army and decide how to best allocate future funding. The risk to the force is that insufficient funds to complete both initiatives along overlapping timelines may result in

continued equipment and personnel shortfalls. Effective management controls over these initiatives will be needed to help measure progress and to achieve effective and efficient operations. Moreover, OSD has a role to play in overseeing the initiatives to help ensure accountability for results in addition to its annual reviews of the services' budget requests. Further, while the Army continues to evaluate the performance of its modular designs in the current counterinsurgency conflict in Iraq and Afghanistan, the Army's testing and evaluation of its modular unit designs still lack some important components. The lack of outcome-related metrics prevents the Army from measuring whether its modular unit designs are achieving their originally envisioned benefits thereby justifying the large expenditure of funds required to implement the Army's modular restructuring initiative. The Army's modular restructuring initiative would benefit from an assessment of the Army's fielded modular designs across the full spectrum of warfare since it has limited itself to the current counterinsurgency operations and has not included protracted high-intensity conflict. Without a comprehensive testing program for the Army's modular initiative incorporating these elements, OSD lacks the information necessary to evaluate the Army's modular designs in terms of the designs' effectiveness in supporting joint warfighting requirements or make informed decisions on the Army's modular funding plans given competing priorities for funding.

Recommendations

To improve management controls, enhance transparency, and reduce the risk associated with the Army modularity and force expansion initiatives' costs, we are recommending that the Secretary of Defense take the following four actions:

- Direct the Secretary of the Army to develop a comprehensive strategy and funding plan that identifies requirements for equipment and personnel based on modular unit designs, identifies total funding needs, and includes management controls for measuring progress in staffing and equipping units. Also, direct the Secretary of the Army to report its estimates to Congress.
- Direct the Deputy Secretary of Defense, with support from the Director, Program Analysis and Evaluation, to review and assess whether the Army's strategy and funding plan clearly identifies and links requirements, progress to date, and additional funding requirements.
- Direct the Deputy Secretary of Defense, with support from the Director, Program Analysis and Evaluation and the DOD Comptroller, and in keeping with the overall priorities of the department and current and expected resource levels, to replace the Army's existing Office of the

Secretary of Defense--approved funding plan for modularity that ends in fiscal year 2011, with a new approved Office of the Secretary of Defense funding plan that fully considers the Army's requirements for a modular force and is consistent with the Army's extended time frames to fully staff and equip the modular force. This plan should also be reported to Congress.

- Direct the Secretary of the Army to include exhibits with the annual budget submissions to show how the budget requests help meet the equipment and personnel requirements of the Army's modular units and help identify what remains to be funded in future years.

Further, to enhance the rigorousness of the Army's efforts to assess modular designs, we are recommending that the Secretary of Defense take the following two actions:

- require the Army to develop a comprehensive assessment plan that includes steps to evaluate modular units in full spectrum combat and
- oversee the Army's assessment program.

Agency Comments and Our Evaluation

In written comments responding to a draft of this report, the Department of Defense concurred with all six of our recommendations. The Department's comments are discussed below and are reprinted in appendix II.

DOD concurred with our four recommendations intended to improve management controls and bring about a comprehensive Army strategy and funding plan for staffing and equipping modular units. Specifically, DOD concurred with our recommendations to (1) direct the Army to develop a comprehensive strategy and funding plan, (2) task the Director, Program Analysis and Evaluation, to review and assess the Army's plan to ensure that the plan links funding needs to requirements, (3) revise the existing DOD approved funding plan and communicate funding requirements to Congress, and (4) have DOD include additional exhibits in its annual budget submissions which are intended to show what requirements the funding request will fulfill and what requirements remain to be funded. In explaining how it planned to implement these recommendations, DOD stated that would include in its FY08 Annual Report on Army Progress under Section 323 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (P.L. 109-364), the equipping and staffing requirements for different brigade types; the number and types of brigades, the status of conversions to modular design, and the status of the manning and equipment for the force as a whole. DOD also stated that the Director,

Program Analysis and Evaluation will review and assess the Army's strategy and funding plans as part of DOD's budget development process. In addition, DOD stated it will work with the Army to reassess the accounting means for equipping the force and determine the appropriate path forward. DOD stated the Army will include additional information on equipping and personnel requirements for its modular forces in its fiscal year 2008 Annual Report on Army progress and will incorporate the Army's funding needs in the President's annual budget submission to Congress. We agree that the steps DOD plans to take in response to these recommendations, if fully implemented, will introduce more effective oversight and management controls of the Army's initiative within the Department, and will better inform the Congress of the Army's progress in staffing and equipping the modular force. With regard to developing an updated funding plan, we believe it will be important for the Army to identify in its report to Congress its overall funding needs to staff and equip the modular force through 2017—consistent with the Army's latest plan--in addition to providing materials to support the President's Budget Request for a particular year. Such an overall plan is needed to help senior DOD officials and Congress weigh the Army's funding needs for modular units with other competing needs. In conjunction with the work we are undertaking to annually review and report on the Army's plans and progress in equipping and staffing modular units in response to a congressional mandate, we plan to review the funding information DOD submits as part of its annual report and fiscal year 2009 budget justification materials and assess its comprehensiveness.

DOD also concurred with our two recommendations directing the Secretary of the Army to develop a comprehensive assessment plan that includes steps to evaluate modular units in full spectrum combat operations and requiring OSD to oversee the Army's assessment program. However, DOD commented that it believed that the Army and OSD were already evaluating modular units in full spectrum operations via the Training and Doctrine Command's modular force assessment efforts and the Total Army Analysis process. Our review found that the Training and Doctrine Command's ongoing evaluations and assessments are focused primarily on counterinsurgency operations rather than full spectrum warfare. Moreover, the primary purpose of the Total Army Analysis process is to develop the mix of forces (numbers and types of units) needed to carry out full spectrum operations; it is not a tool specifically intended to assess and refine individual unit designs. For example, Total Army Analysis may determine how many intelligence units the Army needs, but would not be expected to determine how an intelligence unit should be structured. We continue to believe that the Army should

develop and execute a comprehensive analysis plan to assess its modular force designs and that DOD should be overseeing the Army's assessment plan. Without such a plan, DOD may not be able to fully gauge the need for additional refinements in its modular unit designs. The specific actions DOD has described in its comments do not fully meet the intent of our recommendation. For this reason, we are adding a matter for congressional consideration to require the Army to develop a comprehensive assessment plan for the modular force and require OSD to review the plan and transmit it to Congress.
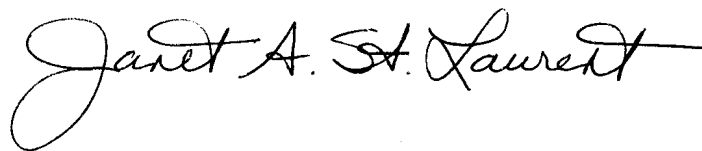
Matter for Congressional Consideration

Given the magnitude of the Army's initiative to transform to a modular force, and the range of analytical efforts the Army could bring to bear to assess the effectiveness of the modular designs in meeting 21st century challenges, Congress should consider requiring DOD to develop and provide a comprehensive assessment plan that includes steps to evaluate modular units in full spectrum combat.

We are sending copies of this report to the Secretary of Defense; the Deputy Secretary of Defense; and the Secretary of the Army. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-4402 or stlaurentj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

Janet A. St. Laurent
Director, Defense Capabilities and Management

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Daniel Inouye
Chairman
The Honorable Ted Stevens
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Ike Skelton
Chairman
The Honorable Duncan Hunter
Ranking Minority Member
Committee on Armed Services
House of Representatives

The Honorable John Murtha
Chairman
The Honorable C. W. Bill Young
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Scope and Methodology

To conduct our work for this engagement, we analyzed data, obtained and reviewed documentation, and interviewed officials from the Headquarters, Department of Army; National Guard Bureau; U.S. Army Reserve Command; U.S. Army Training and Doctrine Command, U.S. Army Forces Command; U.S. Army Center for Army Analysis; and U.S. Army Combined Arms Center. We supplemented this information with visits to brigades that had undergone modular conversions to gain an understanding of the Army's modular force implementation plans and progress in organizing, staffing, and equipping modular brigades. This included requesting data comparing equipment and personnel on hand versus authorized under the new design requirements; discussing implementation challenges with senior brigade and division-level officials; and researching future plans for completing the modular conversion. The brigades we visited included brigades in the regular Army, Army National Guard, and Army Reserve. We selected 10 nondeployed brigades to interview based upon whether each brigade had completed its restructuring to a modular organization or was in the process of restructuring, whether the unit was currently preparing for an upcoming deployment, and whether other restructured modular brigades of the same type were available to interview in other components. In the regular Army, we visited brigades in the 3rd Infantry Division, including the 2nd Brigade Combat Team, 3rd Combat Aviation Brigade, and the 3rd Sustainment Brigade. We also visited the 4th Infantry Brigade Combat Team of the 1st Infantry Division. In the Army National Guard, we visited the 29th Combat Aviation Brigade, Maryland; 30th Heavy Brigade Combat Team, North Carolina; and 116th Infantry Brigade Combat Team, Virginia. We also interviewed the brigade staff of the 108th Sustainment Brigade, Illinois, via phone. In the Army Reserve, we visited the 55th Sustainment Brigade and interviewed the Commanding Officer of the 244th Theatre Aviation Brigade via phone. We selected these brigades in order to compare brigades of the same design within the different components and discuss progress in meeting Army goals with staff from each of the components.

To determine the extent to which the Army implemented its modular force initiative and established management controls that provide transparency for assessing progress and funding for equipping modular units and expanding the force, we visited the above listed active and reserve component units and gathered and analyzed information comparing required equipment and personnel versus on-hand levels. From the Army's Deputy Chief of Staff for Programs (G8), we obtained a list of equipment the officials told us were vital to enabling modular brigades to operate at least as effectively as the brigades they replaced. We met with Army officials responsible for managing the equipment items Army-wide to

determine Army plans for acquiring and fielding those equipment items. We updated and analyzed information on Army requirements for funding and funding plans and assessed areas of risk and uncertainty. We determined that the data used were sufficiently reliable for our objectives as our analysis was focused on whether the Army would be able to completely equip its modular units within the Army's current funding plan, procurement plans, and timeline.

To determine how much funding the Army has been appropriated for modular force restructuring, we reviewed Department of the Army base budgets and supplemental budgets. To determine how much funding the Army has programmed for future modular force restructuring costs and Army expansion plans, we met with officials in the Department of Army Headquarters, specifically officials from the Army's Deputy Chief of Staff for Programs (G8). We also reviewed testimony provided by Army officials at congressional hearings and budget data submitted by the Army to OMB. To understand the Army's future plans for funding its modular force transformation, and current Army views on its ability to complete its modular force initiative, we met with senior Army staff officials, including the Military Deputy for Budget, Assistant Secretary of the Army (Financial Management and Comptroller); the Military Deputy, Assistant Secretary of the Army (Acquisition, Logistics and Technology); the Deputy Chief of Staff for Programs (G-8); and the Deputy Chief of Staff for Operations (G-3/5/7).

To determine the extent to which the Army developed a comprehensive plan to assess its modular unit designs, we assessed the extent of progress in developing metrics and evaluating units' performance in full-spectrum operations. We reviewed our prior work on assessing organizations undertaking significant reorganizations. We reviewed and analyzed the Army Campaign Plan and discussed it with officials in the Department of the Army Headquarters. To analyze the Army's approach for assessing the implementation of its modular conversion, we examined key Army planning documents and discussed objectives, performance metrics, and testing plans with appropriate officials in the Army's Combined Arms Center. We also reviewed recently completed analyses on the Army's modular force designs from the Army Science Board and from the United States Army Infantry Center, Fort Benning, Georgia.

We conducted our work from August 2006 through August 2007 in accordance with generally accepted government auditing standards.

Appendix II: Comments from the Department Of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

NOV 1 6 2007

Ms. Janet A. St. Laurent
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. St. Laurent:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-08-145, "FORCE STRUCTURE: Better Management Controls are Needed to Oversee the Army's Modular Force and Expansion Initiatives and Improve Accountability for Results," dated October 18, 2007 (GAO Code 350885).

The Department concurs with the six GAO recommendations and our comments are enclosed. Modular brigades are the organizational construct of the Army. The modular brigade organization has replaced the Army's division centric organization and is the means by which the Army provides necessary forces and capabilities to the Combatant Commanders in support of the National Security and Defense Strategies.

The numbers and types of modular brigades, as well as the general manning and equipping needs for each type of brigade have been established and these will be continuously assessed to keep pace with the changing operational environment. The Army's year to year equipping, staffing, and readiness plans, for all brigades, are considered Department resourcing priorities and are based on: (1) deployment needs to fulfill missions; (2) existing Army equipment and personnel; (3) planned upgrades and expansions; and (4) emerging needs. Oversight of equipping, manning, and readiness plans comes through existing Department requirements, readiness, acquisition, and resourcing entities including the Joint Requirements Oversight Council, Senior Readiness Oversight Council, Defense Acquisition Board, and the Comptroller. The Department continually seeks to improve these management and oversight processes for better overall efficiency.

Sincerely,

David G. Ahern
Director
Portfolio Systems Acquisition

Enclosure:
As stated

GAO DRAFT REPORT DATED OCTOBER 18, 2007
GAO-08-145 (GAO CODE 350885)

"FORCE STRUCTURE: Better Management Controls Are Needed to
Oversee the Army's Modular Force and Expansion Initiatives and
Improve Accountability for Results"

DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the
Secretary of the Army to develop a comprehensive strategy and funding plan that identifies
requirements for equipment and personnel based on modular unit designs, identifies total funding
needs, and includes management controls for measuring progress in staffing and equipping units.
Also, direct the Secretary of the Army to report its estimates to Congress.

DOD RESPONSE: Concur. The Army shall include in its FY08 Annual Report on Army
Progress under Section 323 of the John Warner National Defense Authorization Act for Fiscal
Year 2007 (P.L. 109-364); the equipping and staffing requirements for different brigade types;
the number and types of brigades, the status of conversions to modular design, and the status of
the manning and equipment for the force as a whole. The funding needs will be included in the
President's budget.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense direct the
Deputy Secretary of Defense, with support from the Director of Program Analysis and
Evaluation, to review and assess whether the Army's strategy and funding plan clearly identifies
and links requirements, progress to date, and additional funding requirements.

DOD RESPONSE: Concur. The Director, Program Analysis and Evaluation will review and
assess the Army's manning and equipping plans as part of the budget development for Program
Objectives Memorandum 2010-2015.

RECOMMENDATION 3: The GAO recommends that the Secretary of Defense direct the
Deputy Secretary of Defense, with support from the Director Program Analysis and Evaluation
and the DoD Comptroller, and in keeping with the overall priorities of the Department and
current and expected resource levels, to replace the Army's existing Office of the Secretary of
Defense (OSD) approved funding plan for modularity that ends in fiscal year 2011, with a new
approved OSD funding plan that fully considers the Army's requirements for a modular force
and is consistent with the Army's extended time frames to fully staff and equip the modular
force. This plan should also be reported to Congress.

DOD RESPONSE: Concur. As part of the Program Objectives Memorandum
2010-2015 budget preparations, the Director Program Analysis and Evaluation and the DoD
Comptroller will work with the Army to reassess the accounting means for equipping the force

and determine the appropriate path forward. This will be provided to Congress as part of the fiscal year 2010 budget.

RECOMMENDATION 4: The GAO recommends that the Secretary of Defense direct the Secretary of the Army to include exhibits with the annual budget submissions to show how the budget requests help meet the equipment and personnel requirements of the Army's modular units and help identify what remains to be funded in future years.

DOD RESPONSE: Concur. As part of the Army's Green Top and the budget detail provided with the fiscal year 2010 President's budget, the Army will address equipping and manning status.

RECOMMENDATION 5: The GAO recommends that the Secretary of Defense require the Secretary of the Army to develop a comprehensive assessment plan that includes steps to evaluate modular units in full spectrum combat.

DOD RESPONSE: Concur. The Department and the Army will continue to assess the Army's modular unit designs and the force effectiveness in full spectrum operations. Force structure and force design are evaluated using the Department's Analytic Agenda, to include Defense Planning Scenarios for the full spectrum of combat operations, in coordination with the Joint Staff and Joint Forces Command. The Department, including the Joint Staff and Program Analysis and Evaluation, assesses force structure and capability continuously to inform Defense Planning Guidance. The Army's yearly Total Army Analysis and Training and Doctrine Command's force effectiveness efforts evaluate the capabilities of the modular brigades throughout the spectrum of combat operations.

RECOMMENDATION 6: The GAO recommends that the Secretary of Defense oversee the Department of the Army's assessment program.

DOD RESPONSE: Concur. The Department will continue to review the Army's equipping and manning plans, capabilities, and execution.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Janet A. St. Laurent, (202) 512-4402 or stlaurentj@gao.gov

Acknowledgments

In addition to the contact named above, Gwendolyn Jaffe, Assistant Director; Grace Coleman; Barbara Gannon; Harry Jobes; Nichole Madden; and J. Andrew Walker made major contributions to this report.