



Highlights of [GAO-07-799T](#), a testimony before the Subcommittee on Defense, Committee on Appropriations, U.S. House of Representatives

## Why GAO Did This Study

Over the next 5 years the Missile Defense Agency (MDA) expects to invest \$49 billion in the BMD system's development and fielding. MDA's strategy is to field new capabilities in 2-year blocks. In January 2006, MDA initiated its second block—Block 2006—to protect against attacks from North Korea and the Middle East.

Congress requires GAO to assess MDA's progress annually. GAO's March 2007 report addressed MDA's progress during fiscal year 2006 and followed up on program oversight issues and the current status of MDA's quality assurance program. GAO assessed the progress of each element being developed by MDA, examined acquisition laws applicable to major acquisition programs, and reviewed the impact of implemented quality initiatives.

## What GAO Recommends

GAO continues to encourage DOD to act on prior recommendations to implement a knowledge-based acquisition strategy for all BMD elements and to adopt more transparent criteria for reporting each element's quantities, cost, and performance. In March 2007, GAO recommended that DOD adopt firm baselines, use procurement funds for operational assets, and adopt other measures to better track cost and outcomes against goals. DOD did not agree to an element-based reporting approach, but is investigating other ways to provide more program transparency.

[www.gao.gov/cgi-bin/getrpt?GAO-07-799T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-799T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Paul Francis, (202) 512-4841, [francispl@gao.gov](mailto:francispl@gao.gov).

## DEFENSE ACQUISITIONS

# Missile Defense Agency's Flexibility Reduces Transparency of Program Cost

## What GAO Found

During fiscal year 2006, MDA fielded additional assets for the Ballistic Missile Defense System (BMDS), enhanced the capability of some assets, and realized several noteworthy testing achievements. For example, the Ground-based Midcourse Defense (GMD) element successfully conducted its first end-to-end test of one engagement scenario, the element's first successful intercept test since 2002. However, MDA will not meet its original Block 2006 cost, fielding, or performance goals because the agency has revised those goals. In March 2006, MDA:

- reduced its goal for fielded assets to provide funds for technical problems and new and increased operations and sustainment requirements;
- increased its cost goal by about \$1 billion—from \$19.3 to \$20.3 billion; and
- reduced its performance goal commensurate with the reduction of assets.

MDA may also reduce the scope of the block further by deferring other work until a future block because four elements incurred about \$478 million in fiscal year 2006 budget overruns.

With the possible exception of GMD interceptors, MDA is generally on track to meet its revised quantity goals. But the deferral of work, both into and out of Block 2006, and inconsistent reporting of costs by some BMDS elements, makes the actual cost of Block 2006 difficult to determine. In addition, GAO cannot assess whether the block will meet its revised performance goals until MDA's models and simulations are anchored by sufficient flight tests to have confidence that predictions of performance are reliable.

Because MDA has not formally entered the Department of Defense (DOD) acquisition cycle, it is not yet required to apply certain laws intended to hold major defense acquisition programs accountable for their planned outcomes and cost, give decision makers a means to conduct oversight, and ensure some level of independent program review. MDA is more agile in its decision-making because it does not have to wait for outside reviews or obtain higher-level approvals of its goals or changes to those goals. Because MDA can revise its baseline, it has the ability to field fewer assets than planned, defer work to a future block, and increase planned cost. All of this makes it hard to reconcile cost and outcomes against original goals and to determine the value of the work accomplished. Also, using research and development funds to purchase operational assets allows costs to be spread over 2 or more years, which makes costs harder to track and commits future budgets.

MDA continues to identify quality assurance weaknesses, but the agency's corrective measures are beginning to produce results. Quality deficiencies are declining as MDA implements corrective actions, such as a teaming approach designed to restore the reliability of key suppliers.